



OFFICIAL STATEMENT DATED OCTOBER 27, 2008

## Idaho Bond Bank Authority

**\$23,360,000 Revenue Bonds, Series 2008C**

**\$365,000 Revenue Bonds, Series 2008D**

**DATED:** Date of Delivery (November 12, 2008)

**DUE:** September 15, as shown on the inside cover

**MOODY'S RATINGS**—Aa2.

**NOT BANK QUALIFIED**

**BOOK ENTRY ONLY**—The \$23,360,000 Revenue Bonds, Series 2008C (the “**Series 2008C Bonds**”) and \$365,000 Revenue Bonds, Series 2008D (the “**Series 2008D Bonds**,” together with the Series 2008C Bonds, the “**Series 2008 Bonds**”) will be issued by the Idaho Bond Bank Authority (the “**Authority**”) of the State of Idaho (the “**State**”) in fully registered form under a book-entry only system, registered in the name of Cede & Co., as owner and nominee for The Depository Trust Company (“**DTC**”). DTC will act as initial securities depository for the Series 2008 Bonds. Individual purchases of the Series 2008 Bonds will be made in book-entry form through DTC in denominations of \$5,000 or any integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2008 Bonds purchased.

**ISSUERS AND PURPOSE**—The Authority is the issuer of the Series 2008 Bonds through the Idaho Bond Bank Authority Act, Title 67, Chapter 87, Idaho Code, as amended (the “**Act**”) pursuant to a master trust agreement between the Authority and U.S. Bank National Association (the “**Trustee**”), dated as of December 1, 2004 (the “**Master Trust Agreement**”), as supplemented (the Master Trust Agreement, together with all supplements, is referred to herein as the “**Trust Agreement**”). Proceeds of the Series 2008C Bonds will be used by the Authority to make loans (the “**Loans**”) to certain Idaho municipalities and political subdivisions (collectively, the “**Series 2008C Participants**”) in order to finance or refinance certain public capital improvements, and proceeds of the Series 2008D Bonds will be used by the Authority to make a Loan to an Idaho municipality (the “**Series 2008D Participant**”) to provide permanent financing for certain public capital improvements, as more fully described herein. See “**PURPOSE AND USE OF PROCEEDS**” herein. The Authority and each Participant will enter into a Loan Agreement dated as of the Date of Delivery to provide for the repayment of the Loans, as described herein. For the Loans that are secured by a pledge of System Net Revenues, defined herein, each Series 2008C Participant is authorized to enter into future obligations with parity or subordinate liens on its System Net Revenues, as defined herein, including loans with the Authority.

**THE SERIES 2008 BONDS AND THE LOANS**—*The Series 2008 Bonds are revenue bonds of the Authority. The Loans constitute loans from the Authority to the Participants. Each Participant is required by its Loan Agreement to issue and sell its bond (the “**Municipal Bond**”) to the Authority as evidence of its Loan obligation and the payments due on the Municipal Bond will be equal to the Repayment Installments, as described herein.*

**SECURITY**—The Series 2008 Bonds are limited obligations of the Authority and the interest thereon, principal thereof and premiums, if any, are payable solely from (i) all amounts payable to the Authority pursuant to the Loan Agreements, (ii) all investment earnings on amounts held by the Trustee pursuant to the Trust Agreement, (iii) State Sales Tax Revenues, defined herein, and (iv) all other moneys received by the Authority and designated by the Authority as available to make payments on the Series 2008 Bonds (collectively, the “**Revenues**”). All of the Series 2008 Bonds are equally secured by a pledge of and charge and lien upon the Revenues held in trust as security for the payment of the interest on and principal of and redemption premiums, if any, on the Series 2008 Bonds as provided under the Trust Agreement. This pledge constitutes a pledge of and charge and lien upon the Revenues on a parity with Funded Debt, if any, as defined herein, and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Series 2008 Bonds. The pledge of and charge and lien upon State Sales Tax Revenues, however, is subordinate to certain State tax anticipation notes issued pursuant to Section 63-3202, Idaho Code, as amended. THE SERIES 2008 BONDS ARE NOT A DEBT OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE SERIES 2008 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS PROVIDED UNDER THE TRUST AGREEMENT AND THE ACT. THE SERIES 2008 BONDS DO NOT CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION. CERTAIN LOANS, HOWEVER, FUNDED BY THE SERIES 2008 BONDS DO CONSTITUTE INDEBTEDNESS OF THOSE SERIES 2008 PARTICIPANTS WITHIN THE MEANING OF CONSTITUTIONAL AND STATUTORY LIMITATIONS OR RESTRICTIONS. **Series 2008C Bonds:** Revenues for the Series 2008C Bonds include (i) moneys intercepted by the Authority from monies due to the Series 2008C Participants from the State pursuant to Sections 63-3638 and 67-8727, Idaho Code (the “**State Intercept**”), to the extent such funds are lawfully available in accordance with Idaho Code 67-8725(2)(b), and (ii) System Net Revenues, as defined herein. **Series 2008D Bonds:** Revenues for the Series 2008D Bonds constitute proceeds of special assessments levied against real property encompassed by the local improvement district in the City of Driggs, Idaho known as “**Local Improvement District No. 2006-1**”. No funds are currently available for the State Intercept for said Series 2008D Participant.

**PRINCIPAL AND INTEREST PAYMENTS**—The principal of and premium, if any, and interest on the Series 2008 Bonds will be payable by the Trustee, solely from any amounts available in the funds and accounts established under the Loan Agreement and the Trust Agreement described herein, to DTC which, in turn, will remit such principal and interest to the DTC Participants, defined herein, for subsequent disbursement to the beneficial owners of the Series 2008 Bonds. Interest on the Series 2008C Bonds will be payable on March 15, 2009 and *semiannually* thereafter on March 15 and September 15 of each year until maturity or redemption. Interest on the Series 2008D Bonds will be payable on September 15, 2009 and *annually* thereafter on September 15 of each year until maturity or redemption.

### MATURITY SCHEDULE—SEE INSIDE COVER

**REDEMPTION**—The Series 2008 Bonds are subject to redemption as further described herein.

**TAX MATTERS**—*In the opinion of Orrick Herrington & Sutcliffe LLP, Tax Counsel to the Authority (“**Tax Counsel**”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from State of Idaho personal income taxes. In the further opinion of Tax Counsel, interest on the Series 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Tax Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008 Bonds. See “**LEGAL AND TAX MATTERS**.”*

**DELIVERY**—The Series 2008 Bonds are offered for sale to the Underwriter subject to receiving the final approving legal opinion of Skinner Fawcett as Bond Counsel to the Authority and Orrick Herrington & Sutcliffe LLP, Tax Counsel, and certain other conditions. Certain legal matters with respect to the Loan Agreements will be passed on for the Participants by Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, bond counsel to the Participants. It is expected that the Series 2008 Bonds will be available for delivery to the Trustee for Fast Automated Securities Transfer on behalf of DTC on or about November 12, 2008 (the “**Date of Delivery**”).

*This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*



# Idaho Bond Bank Authority

## Revenue Bonds, Series 2008

**DATED:** Date of Delivery

**DUE:** September 15, as shown below

### MATURITY SCHEDULE —

#### \$23,360,000 Revenue Bonds, Series 2008C

Due Sept. 15	Amounts	Interest Rates	Yield	CUSIP No. 451152	Due Sept. 15	Amounts	Interest Rates	Yield	CUSIP No. 451152
2009	\$ 330,000	4.000%	1.750%	GT3	2015	\$ 480,000	5.000%	3.980%	GZ9
2010	370,000	4.000%	2.700%	GU0	2016	500,000	5.250%	4.170%	HA3
2011	395,000	4.000%	3.140%	GV8	2017	530,000	4.750%	4.340%	HB1
2012	425,000	4.000%	3.450%	GW6	2018	555,000	5.250%	4.520%	HC9
2013	440,000	4.000%	3.630%	GX4	2019	590,000	4.750%	4.690% <sup>(1)</sup>	HD7
2014	465,000	5.000%	3.820%	GY2	2020	570,000	5.000%	4.820% <sup>(1)</sup>	HE5
\$4,135,000 5.625% Term Bond due September 15, 2026 @ 5.07% <sup>(1)</sup> Yield; CUSIP No. 451152HL9									
\$2,630,000 5.625% Term Bond due September 15, 2029 @ 5.14% <sup>(1)</sup> Yield; CUSIP No. 451152HP0									
\$10,945,000 5.375% Term Bond due September 15, 2038 @ 5.50% Yield; CUSIP No. 451152HY1									

#### \$365,000 Revenue Bonds, Series 2008D

Due Sept. 15	Amounts	Interest Rates	Yield	CUSIP No. 451152	Due Sept. 15	Amounts	Interest Rates	Yield	CUSIP No. 451152
2009	\$ 15,000	2.300%	2.300%	HZ8	2017	\$ 25,000	4.650%	4.650%	JH6
2010	20,000	3.150%	3.150%	JA1	2018	25,000	4.800%	4.800%	JJ2
2011	20,000	3.450%	3.450%	JB9	2019	25,000	4.950%	4.950%	JK9
2012	20,000	3.800%	3.800%	JC7	2020	30,000	5.000%	5.000%	JL7
2013	20,000	4.000%	4.000%	JD5	2021	30,000	5.050%	5.050%	JM5
2014	20,000	4.150%	4.150%	JE3	2022	30,000	5.100%	5.100%	JN3
2015	25,000	4.300%	4.300%	JF0	2023	35,000	5.150%	5.150%	JP8
2016	25,000	4.450%	4.450%	JG8					

(1) Priced to the call date of September 15, 2018.

**Idaho Bond Bank Authority**  
Office of the State Treasurer  
304 N. 8th Street, 2nd Floor, Room 208  
Boise, Idaho 83702  
(208) 332-2997

**Board Members**

Ron Crane	Chairman
Bart Davis	Member
Jim Clark	Member
Ken Harward	Member

**Administrators**

Liza Carberry	Executive Director
Denise Shields	Secretary

**Series 2008C Participants**

City of Buhl, Idaho	City of Kendrick, Idaho
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**Series 2008D Participant**

Local Improvement District No. 2006-01  
(A special purpose district created by the City of Driggs, Idaho)

**Bond Counsel to the Authority and**

**Disclosure Counsel**

Skinner Fawcett  
Boise, Idaho  
(208) 345-2663

**Tax Counsel**

Orrick Herrington & Sutcliffe LLP  
San Francisco, California  
(415) 773-5700

**Trustee**

U.S. Bank National Association  
Salt Lake City, Utah  
(801) 534-6083

**Financial Advisor**

Western Financial Group, LLC  
Lake Oswego, Oregon  
(503) 636-0265

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*This Official Statement does not constitute an offer to sell the Series 2008 Bonds in any jurisdiction in which or to a person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the Authority, the Participants, Western Financial Group, LLC (the "Financial Advisor") or Seattle-Northwest Securities Corporation (the "Underwriter") to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series 2008 Bonds and, if given or made, such information or representations must not be relied upon. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create an implication that there has been no change in the affairs of the Participants or the Authority since the date hereof. This Official Statement is not to be construed as a contract with the Purchasers of the Series 2008 Bonds.*

*The CUSIP numbers are included in the Maturity Schedule on this inside cover page for convenience of the holders and potential holders of the Series 2008 Bonds. No assurance can be given that the CUSIP numbers for the Series 2008 Bonds will remain the same after the date of issuance and delivery of the Series 2008 Bonds.*

*Certain statements contained in this Official Statement do not reflect historical facts, but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as "projected," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. All projections, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.*

*The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.*

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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# OFFICIAL STATEMENT

## Idaho Bond Bank Authority

**\$23,360,000 Revenue Bonds, Series 2008C**

**\$365,000 Revenue Bonds, Series 2008D**

### Definitions

Unless the context otherwise requires, the terms used in this Official Statement shall have the meanings specified in Appendix A, attached hereto.

### The Idaho Bond Bank Authority

The Idaho Bond Bank Authority, an independent public body corporate and politic created by the Idaho State Legislature in 2001, is an instrumentality of the State of Idaho (the “**State**”) within the State Treasurer’s Office. An authorizing amendment to the Idaho Constitution was adopted in 2000, enabling legislation that was passed in the 2001 Legislative Session. Title 67, Chapter 87, of the Idaho Code (the “**Act**”) authorizes and empowers the Authority to issue bonds for the purpose of purchasing municipal bonds, including loans undertaken by municipalities for any purpose authorized by law.

The Authority is administered by a board consisting of the Idaho State Treasurer or his designee, one member of the Senate, one member of the House of Representatives, and two members appointed by the governor (the “**Board**”). Current Board members and their terms are as follows:

#### Idaho Bond Bank Board Members

Ron Crane, Chair	State Treasurer	Indefinite	--
Bart Davis	State Senator	Two years	11/30/08 <sup>(1)</sup>
Jim Clark	State Representative	Two years	11/30/08 <sup>(2)</sup>
Ken Harward	Executive Director, Association of Idaho Cities	Four years	07/01/08 <sup>(3)</sup>
Vacant		Four years	07/01/08 <sup>(3)</sup>

- (1) The president *pro tempore* of the Senate is required by Section 67-8703(2)(b) of the Idaho Code to appoint a member of the Senate to the Board for a two-year term.
- (2) The Speaker of the House of Representatives is required by Section 67-8703(2)(c) of the Idaho Code to appoint a member of the House of Representatives to the Board for a two year term.
- (3) The Governor is required by Section 67-8703(2)(d) of the Idaho Code to appoint two residents of the State who are qualified voters to a four-year term.

Ms. Liza Carberry is the appointed Executive Director of the Authority and is also the Investment Manager for the Idaho State Treasurer’s Office. In her capacity as Investment Manager, she oversees the management of the State’s investments, the Local Government Investment Pool, Idaho Prime Rate Loan Program, State of Idaho Debt Issuance, BidIdaho (an on-line electronic bid program for Certificates of Deposit), and the Idaho School Bond Guaranty Program. Ms. Carberry also serves as the Chairman of the Board for Idaho’s 529 College Savings Program (IDeal).

The Authority has previously issued seven series of pooled revenue bonds. The following table provides information on the Outstanding Bonds and the Series 2008 Bonds:

**Outstanding Idaho Bond Bank Authority Revenue Bonds  
(As of October 27, 2008; includes the Series 2008 Bonds)**

<b>Authority Pooled Financing Bonds</b>	<b>Date of Issue</b>	<b>Date of Maturity</b>	<b>Amount Issued</b>	<b>Amount Outstanding</b>
Series 2004A	12/01/04	09/01/22	\$ 11,070,000	\$ 8,090,000
Series 2006A	05/11/06	09/15/35	17,415,000	16,080,000
Series 2006B	11/30/06	09/15/36	9,780,000	8,980,000
Series 2007A	11/01/07	09/15/27	11,700,000	11,355,000
Series 2007B	11/01/07	09/15/17	145,000	135,000
Series 2008A	04/01/08	09/15/37	14,625,000	14,370,000
Series 2008B	05/15/08	09/15/29	7,095,000	7,095,000
Series 2008C <sup>(1)</sup>	11/12/08	09/15/38	23,360,000	23,360,000
Series 2008D <sup>(1)</sup>	11/12/08	09/15/23	365,000	365,000
Total Pooled			<u>\$ 95,555,000</u>	<u>\$ 89,830,000</u>

(1) This issue.

Source: Idaho Bond Bank Authority, September 30, 2008.

The Board has approved the issuance of its Revenue Bonds, Series 2008E in the estimated amount of \$27,820,000 (the “**Series 2008E Bonds**”). The Series 2008E Bonds are expected to be sold on or about November 6, 2008. See “ADDITIONAL BONDS” herein.

## Introduction

The Idaho Bond Bank Authority (the “**Authority**”) is furnishing this Official Statement to provide information in connection with the issuance of \$23,360,000 aggregate principal amount of Idaho Bond Bank Authority Revenue Bonds, Series 2008C and \$365,000 aggregate principal amount of Idaho Bond Bank Authority Revenue Bonds, Series 2008D, collectively issued pursuant to a master trust agreement dated as of December 1, 2004 (the “**Master Trust Agreement**”) between the Authority and U.S. Bank National Association as trustee (the “**Trustee**”). The Master Trust Agreement has been supplemented six times and a seventh supplemental trust agreement between the Authority and the Trustee is expected to be dated as of November 1, 2008 (the “**Seventh Supplemental Trust Agreement**” and, collectively with the Master Trust Agreement and previous supplements to the Master Trust Agreement, the “**Trust Agreement**”).

This Official Statement, which includes the cover page, inside cover and appendices, provides information concerning each of the Idaho cities shown on the inside cover page of this Official Statement (the “**Participants**”), the Loans and the Series 2008 Bonds.

The information set forth herein has been obtained from the Authority, the Participants and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, warranty or guarantee by the Underwriter. The Underwriter has relied on the Authority and the Participants with respect to the accuracy and sufficiency of such information. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.



### **Authority for Issuance of the Series 2008 Bonds**

The Series 2008 Bonds are being issued by the Authority pursuant to the Act. The Act authorizes the Authority to issue bonds, the proceeds of which are used to purchase municipal bonds, including loans undertaken by municipalities for any purpose authorized by law. The proceeds of the Series 2008 Bonds are to be applied by the Authority to acquire loans (collectively, the “**Loans**”) made by the Authority pursuant to the Act to each of the Participants. Prior to the Date of Delivery, each Participant is required to have issued and sold a note or bond (the “**Municipal Bond**”) to the Authority as evidence by such Participant’s Loan obligation.

### **Principal Amounts, Date, Interest Rates and Maturities**

The Series 2008 Bonds will be issued in the combined aggregate principal amount of \$23,725,000, will be dated and bear interest from their Date of Delivery to the Underwriter, and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Series 2008C Bonds will be payable on March 15, 2009 and *semiannually* thereafter on September 15 and March 15 of each year until maturity or redemption (each March 15 and September 15 is referred to herein as the “**Interest Payment Date**”).

Interest on the Series 2008D Bonds will be payable on September 15, 2009 and *annually* thereafter on September 15 (the Interest Payment Date for the Series 2008D Bonds) of each year until maturity or redemption.

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# Idaho Bond Bank Authority

## Revenue Bonds Debt Service Schedule

Calendar Year	Total		Series 2008C Bonds			Series 2008D Bonds			Total
	Outstanding		Total Debt			Total Debt			Aggregate
	Debt Service	Principal	Interest	Service	Principal	Interest	Service	Debt Service	
2009	\$ 5,828,800	\$ 330,000	\$ 1,036,565	\$ 1,366,565	\$ 15,000	\$ 13,627	\$ 28,627	\$ 7,223,991	
2010	5,449,019	370,000	1,218,363	1,588,363	20,000	15,845	35,845	7,073,226	
2011	5,925,545	395,000	1,203,563	1,598,563	20,000	15,215	35,215	7,559,323	
2012	5,924,251	425,000	1,187,763	1,612,763	20,000	14,525	34,525	7,571,539	
2013	5,949,019	440,000	1,170,763	1,610,763	20,000	13,765	33,765	7,593,546	
2014	5,625,316	465,000	1,153,163	1,618,163	20,000	12,965	32,965	7,276,444	
2015	5,462,931	480,000	1,129,913	1,609,913	25,000	12,135	37,135	7,109,979	
2016	5,014,250	500,000	1,105,913	1,605,913	25,000	11,060	36,060	6,656,223	
2017	4,141,736	530,000	1,079,663	1,609,663	25,000	9,948	34,948	5,786,346	
2018	3,821,853	555,000	1,054,488	1,609,488	25,000	8,785	33,785	5,465,125	
2019	3,402,653	590,000	1,025,350	1,615,350	25,000	7,585	32,585	5,050,588	
2020	3,401,146	570,000	997,325	1,567,325	30,000	6,348	36,348	5,004,819	
2021	3,345,786	600,000	968,825	1,568,825	30,000	4,848	34,848	4,949,459	
2022	3,292,809	630,000	935,075	1,565,075	30,000	3,333	33,333	4,891,216	
2023	3,277,379	665,000	899,638	1,564,638	35,000	1,803	36,803	4,878,819	
2024	3,281,359	705,000	862,231	1,567,231	0	0	0	4,848,590	
2025	3,269,869	745,000	822,575	1,567,575	0	0	0	4,837,444	
2026	3,141,619	790,000	780,669	1,570,669	0	0	0	4,712,288	
2027	2,456,444	830,000	736,231	1,566,231	0	0	0	4,022,675	
2028	2,115,619	875,000	689,544	1,564,544	0	0	0	3,680,163	
2029	1,557,269	925,000	640,325	1,565,325	0	0	0	3,122,594	
2030	817,894	980,000	588,294	1,568,294	0	0	0	2,386,188	
2031	814,019	1,030,000	535,619	1,565,619	0	0	0	2,379,638	
2032	815,738	1,085,000	480,256	1,565,256	0	0	0	2,380,994	
2033	816,075	1,140,000	421,938	1,561,938	0	0	0	2,378,013	
2034	815,075	1,205,000	360,663	1,565,663	0	0	0	2,380,738	
2035	817,738	1,270,000	295,894	1,565,894	0	0	0	2,383,631	
2036	458,813	1,340,000	227,631	1,567,631	0	0	0	2,026,444	
2037	199,500	1,410,000	155,606	1,565,606	0	0	0	1,765,106	
2038	0	1,485,000	79,819	1,564,819	0	0	0	1,564,819	
Total	\$ 91,239,520	\$ 23,360,000	\$ 23,843,659	\$ 47,203,659	\$ 365,000	\$ 151,784	\$ 516,784	\$ 138,959,963	

NOTE: Columns may not foot due to rounding.

## Sources and Uses of Funds

The proceeds of the Series 2008 Bonds are to be applied by or on behalf of the Authority to loan to the Participants in the amount identified in each of the Participants' Loan Agreements. The proceeds of the Series 2008 Bonds are expected to be applied as follows:

### Sources and Uses of Funds

Sources and Uses	Series 2008C	Series 2008D	Total Series 2008
Principal Amount	\$ 23,360,000	\$ 365,000	\$ 23,725,000
Net Original Issue Premium	263,659	0	263,659
Other Sources of Funds	<u>64,474</u>	<u>0</u>	<u>64,474</u>
Total Sources of Funds	<u>\$ 23,688,132</u>	<u>\$ 365,000</u>	<u>\$ 24,053,132</u>
Uses of Funds			
Available for Projects	\$ 21,428,337	\$ 347,840	\$ 21,776,177
Available for Payment of Prior Participant Obligations	397,474	0	397,474
Series 2008C Reserve <sup>(1)</sup>	1,608,663	0	1,608,663
Underwriter's Discount, Costs of Issuance, Authority Expenses and Contingency	<u>253,659</u>	<u>17,160</u>	<u>270,819</u>
Total Uses of Funds	<u>\$ 23,688,132</u>	<u>\$ 365,000</u>	<u>\$ 24,053,132</u>

(1) Held and administered by applicable Participants.

## The Trustee

The Authority has appointed U.S. Bank National Association, a national banking association organized under the laws of the United States, to serve as Trustee for the Series 2008 Bonds. The Trustee is to carry out those duties assignable to and accepted by it under the Trust Agreement. Except for the contents of this section and the description of the Trustee's responsibilities under the Trust Agreement, the Trustee has not reviewed or participated in the preparation of this Official Statement and does not assume any responsibility for the nature, completeness, contents or accuracy of the Official Statement.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Authority of any of the Series 2008 Bonds authenticated or delivered pursuant to the Trust Agreement or for the use or application of the proceeds of such Series 2008 Bonds by the Authority. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Series 2008 Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets pledged or assigned as security for the Series 2008 Bonds, the technical or financial feasibility of the Projects, or the investment quality of the Series 2008 Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee and its services may be found at U.S. Bank's website at <http://www.usbank.com/corporatetrust>. The U.S. Bank website is not incorporated into this Official Statement by such reference and is not a part hereof.

## Book-Entry Registration

The Series 2008 Bonds are issuable in fully registered form and, when issued, will be registered in the name of Cede & Co. as Owner and as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2008 Bonds. Individual purchases and sales of the Series 2008 Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single

maturity and integral multiples thereof. Purchasers ("**Beneficial Owners**") will not receive certificates representing their interest in the Series 2008 Bonds.

The ownership of one fully registered certificate for each maturity of the Series 2008 Bonds, as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of the Series 2008 Bonds of such maturity, will be registered in the name of Cede & Co., as nominee for DTC.

The principal of and premium, if any, and interest on the Series 2008 Bonds will be payable by the Trustee to DTC, which, in turn, will be obligated to remit such principal, premium and interest to its participants for subsequent disbursement to the Beneficial Owners of the Series 2008 Bonds, as further described in Appendix C attached hereto.

Notwithstanding any other provision to the contrary, so long as all Series 2008 Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such Series 2008 Bond and all notices with respect to each such Series 2008 Bond shall be made and given, respectively, to DTC as provided in or pursuant to the Representation Letter.

### **Procedure in the Event of Discontinuation of Book-Entry Transfer System**

In the event that the Authority determines that the Series 2008 Bonds should not be maintained in book-entry form, the Trustee shall, upon the written instruction of the Authority, notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the Series 2008 Bonds will be transferable upon receipt by the Trustee from the registered owner thereof of the Series 2008 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee. If at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor securities depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, then the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Series 2008 Bonds. If the Series 2008 Bonds cease to be in book-entry only form, the Trustee is required to mail by first class mail, postage prepaid, each interest payment on the Interest Payment Date (or the next Business Day if the Interest Payment Date is not a Business Day) to the name and address of the Owners as they appear on the Series 2008 Bond register as of the Record Date; provided, however, that interest on any Series of Bonds shall be paid by wire transfer or other means to provide immediately available funds to any Bond Owner of at least \$1,000,000 in aggregate principal amount of such Series of Bonds, at its option, according to wire instructions given to the Trustee in writing for such purpose and on file prior to the applicable Record Date preceding the Interest Payment Date. Principal of each Series 2008 Bond shall be paid only on or after the stated maturity date thereof or date fixed for earlier prepayment thereof, and then only upon presentation and surrender of such Series 2008 Bond to the Trustee at its principal corporate trust operations office in St. Paul, Minnesota.

Any Series 2008 Bond may, in accordance with its terms, be transferred by the person in whose name it is registered in the books required to be kept by the Trustee upon surrender of such Series 2008 Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Series 2008 Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Series 2008 Bond and maturity for a like aggregate principal amount of in \$5,000 denominations or integral multiples thereof. The Trustee shall require the payment by the Series 2008 Bond Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

## **Description of the Series 2008C Bonds**

### **Authority for Issuance and Use of Proceeds of the Series 2008C Bonds**

Authorizing documents were approved by the governing body of each of the Series 2008C Participants (the "**Loan Ordinances**"). The Loan Ordinances authorize each of the Series 2008C Participants to execute a loan agreement with the Authority dated as of the Date of Delivery (each, a "**Loan Agreement**" and collectively, the

**“Loan Agreements”**). The Loan Agreements for each of the Series 2008C Participants are payable from System Net Revenues, as hereinafter described, and other lawfully available revenues.

The proceeds of the Series 2008C Bonds are to be applied by the Authority to acquire Loans of the Series 2008C Participants. The Loan Agreement for (i) the City of Buhl, Idaho (**“Buhl”**) and the Municipal Bond for its sewer system projects (ii) Buhl and the Municipal Bond for its water system project, and (iii) City of Kendrick, Idaho (**“Kendrick”**) and the Municipal Bond for refunding its Water and Sewer Revenue Bonds, Series 1996, dated June 1, 1996 (Buhl’s sewer system and water system, and Kendrick’s water and sewer system are each referred to herein as the **“System”**), are each payable from revenues generated from ownership and operation of the System of each such Series 2008C Participant after the deduction of certain operation and maintenance expenses (the **“System Net Revenues”**) or other legally available funds as such Series 2008C Participant’s governing body specifically designates for such purpose. The Series 2008C Participants are authorized to execute future obligations with parity or subordinate liens on their respective System Net Revenues, if applicable, including loans with the Authority.

Interest and principal payments due on a Series 2008C Participant’s Municipal Bond will equal the interest components and principal components of such Series 2008C Participant’s Loan Agreement (**“Repayment Installments”**).

#### **Security and Sources of Payment of the Series 2008C Bonds**

The Series 2008C Bonds are limited obligations of the Authority and the Repayment Installments are payable solely from (i) all amounts payable to the Authority pursuant to the Loan Agreements, which include either System Net Revenues, or moneys intercepted by the Authority from monies due to the Series 2008C Participants from the State pursuant to Sections 63-3638 and 67-8727, Idaho Code (the **“State Intercept”**) to the extent such funds are lawfully available in accordance with Idaho Code 67-8725(2)(b), (ii) all investment earnings on amounts held by the Trustee pursuant to the Trust Agreement, (iii) State Sales Tax Revenues, defined herein, and (iv) all other moneys received by the Authority and designated by the Authority as Revenues. The Loan and Municipal Bond for each of the Series 2008C Participants are further secured by moneys available in a debt service reserve fund established by each of the Loan Agreements (each, the **“Series 2008 Reserve”**). All of the Series 2008C Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and in trust as security for the payment of the interest on and principal of and redemption premiums, if any, on the Series 2008C Bonds as provided under the Trust Agreement. This pledge constitutes a pledge of and charge and lien upon the Revenues on a parity with Funded Debt of the Authority, if any, as defined herein, and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Series 2008C Bonds. The pledge of and charge and lien upon State Sales Tax Revenues, however, is subordinate to certain State tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code, as amended. See **“SECURITY FOR THE SERIES 2008 BONDS – State Sales Tax Account”** herein.

*Sales Tax Intercept.* The Loan Agreements for the Series 2008C Participants may require interception of revenues collected by the State and distributed to Series 2008C Participants. In this case, such intercepted revenues are pledged as additional security for the Series 2008C Bonds. See **“STATE SALES TAX ACCOUNT”** and **“STATE INTERCEPT PAYMENTS”** herein.

The Series 2008C Bonds are not a debt of the State or any of its political subdivisions, and neither the State nor any of its political subdivisions is liable thereon, nor in any event shall the Series 2008C Bonds be payable out of any funds or properties other than those of the Authority as provided under the Trust Agreement and the Act. The Series 2008C Bonds do not constitute indebtedness within the meaning of any constitutional or statutory limitation or restriction. Certain Loans, however, funded by the Series 2008 Bonds do constitute indebtedness of those Series 2008 Participants within the meaning of constitutional and statutory limitations or restrictions.

NO PARTICIPANT IS REQUIRED TO PAY ANY PORTION OF ANOTHER PARTICIPANT'S REPAYMENT INSTALLMENTS, RESERVE REQUIREMENT OR OTHER OBLIGATION UNDER THE LOAN AGREEMENT.

### **Loan Agreements for the Series 2008C Bonds**

The summary of certain terms of the Loan Agreement for each Series 2008C Participants follows:

*Income Fund.* Each Series 2008C Participant whose Loan Agreement and Municipal Bond is payable from System Net Revenues is required under the terms of its Loan Agreement to agree and covenant that all System Revenues shall be received by the Series 2008C Participant in trust and deposited when and as received in a special fund designated as the "**Income Fund**", which fund is required to be maintained and held separate and apart from other funds of such Series 2008C Participant so long as any Repayment Installments remain unpaid. To the extent a Series 2008C Participant has an existing fund which satisfies these requirements, then such shall be deemed to be the Income Fund. The Series 2008C Participant may maintain separate accounts within the Income Fund. The amounts in the Income Fund shall be invested in Permitted Investments.

All System Net Revenues are irrevocably pledged to the payment of the Repayment Installments and the System Net Revenues shall not be used for any other purpose while any of the Repayment Installments remain unpaid; *provided* that (i) any Prior Obligations shall be paid on parity with the Repayment Installments, and (ii) out of the System Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Loan Agreement. The Series 2008C Participants' obligation to pay Repayment Installments and all other Parity Debt, when due, constitutes a first lien on System Net Revenues.

Each Series 2008C Participant shall, from the moneys in the Income Fund, pay the Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. Thereafter, all remaining moneys in the Income Fund shall be set aside by the Series 2008C Participant at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth below:

First, for Repayment Installments. Not later than 15 days prior to each Repayment Installment is due (the "**Repayment Installment Date**"), each Series 2008C Participant shall, from the moneys in the Income Fund, transfer to the Trustee the Repayment Installment due and payable on that Repayment Installment Date. The Series 2008C Participant shall also, from the moneys in the Income Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Parity Obligation Payments in accordance with the provisions of any Parity Obligation.

Second, for Surplus. Moneys on deposit in a Series 2008C Participant's Income Fund not necessary to make any Repayment Installments or other Parity Obligation Payments may be expended by such Series 2008C Participant at any time for any purpose permitted by law, including but not limited to payments with respect to Subordinate Obligations.

*Series 2008C Reserve Fund.* Each Series 2008C Participant is required by its respective Loan Agreement for each Loan Municipal Bond to create and maintain a reserve in an amount equal to the Reserve Requirement as a debt service reserve fund (individually, the "**Series 2008C Reserve Fund**"). Such Series 2008C Participant may draw upon its Series 2008C Reserve Fund only in the event System Net Revenues are insufficient to make the Repayment Installments. In the event that a draw is made on the Series 2008C Reserve Fund, the Series 2008C Participant is required under its Loan Agreement to replenish its Series 2008C Reserve Fund to the Reserve Requirement as soon as possible, but not later than one year from the date of drawing, from System Net Revenues.

*State Intercept.* The Series 2008C Participants understand that the State Intercept and repayment procedures contained in and required by Section 67-8727, Idaho Code, as amended, will provide funds to pay the Series 2008C Bonds (not the Loan obligations).

### Redemption Provisions of the Series 2008C Bonds

*Optional Redemption.* The Series 2008C Bonds maturing on or prior to September 15, 2018, are not subject to optional redemption. The Series 2008C Bonds maturing on and after September 15, 2019, are subject to optional redemption prior to maturity at the written direction of the Authority, from any moneys deposited by the Authority, as a whole or in part on any date on or after September 15, 2018, and among such maturities as are designated by the Authority to the Trustee, at the price of par, plus accrued interest, if any, to the date of redemption.

As provided in the Loan Agreements, Series 2008C Participants may prepay their Repayment Installments. The principal component of the Repayment Installments to be prepaid by a Series 2008C Participant is required to correspond in amount and maturity date to the Series 2008C Bonds related to such Participant's Loan Agreement. Under no circumstances may Series 2008C Participants prepay their Repayment Installments prior to the optional redemption dates associated with the Series 2008C Bonds, as described in such Participant's Loan Agreement.

*Mandatory Redemption.* The Series 2008C Term Bonds maturing on September 15 in the years 2026, 2029, and 2038 are subject to mandatory redemption, by lot, from mandatory sinking account payments in the amounts and on the dates set forth below:

#### Series 2008C Term Bonds

2026 Term Bond		2029 Term Bond		2038 Term Bond	
Due Sept. 15	Amount	Due Sept. 15	Amount	Due Sept. 15	Amount
2021	\$ 600,000	2027	\$ 830,000	2030	\$ 980,000
2022	630,000	2028	875,000	2031	1,030,000
2023	665,000	2029	<u>925,000</u> <sup>(1)</sup>	2032	1,085,000
2024	705,000		<u>\$ 2,630,000</u>	2033	1,140,000
2025	745,000			2034	1,205,000
2026	<u>790,000</u> <sup>(1)</sup>			2035	1,270,000
	<u>\$4,135,000</u>			2036	1,340,000
				2037	1,410,000
				2038	<u>1,485,000</u> <sup>(1)</sup>
					<u>\$ 10,945,000</u>

(1) Maturity

*Notice of Redemption.* Notice of redemption shall be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Owners of the Series 2008C Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Each notice of redemption shall state that on said date there will become due and payable on each of said Series 2008C Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2008C Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice shall not invalidate any of the proceedings taken in connection with such redemption.

## **Description of the Series 2008D Bonds**

### **Authority for Issuance and Use of Proceeds of the Series 2008D Bonds**

An Ordinance (the “**Ordinance**”) was approved by the City Council of the City of Driggs, Idaho (“**Driggs**”), the Series 2008D Participant, on September 16, 2008. The Ordinance authorizes Driggs to execute a Loan Agreement with the Authority on behalf of its Local Improvement District No. 2006-1 (the “**District**”) and to issue its Municipal Bond evidencing such Loan Agreement to the Authority dated as of the Date of Delivery. The Series 2008D Bond is being issued to finance improvements that were completed within the District created within Driggs. Driggs’ Loan Agreement and Municipal Bond are payable from special assessments levied against real property encompassed by the District. Interest and principal payments due on the Municipal Bond will equal the Repayment Installments of its Loan Agreement.

### **Security and Sources of Payment of the Series 2008D Bonds**

The Series 2008D Bonds are limited obligations of the Authority and the Repayment Installments are payable solely from (i) all amounts payable to the Authority pursuant to the Loan Agreement with Driggs, (ii) all investment earnings on amounts held by the Trustee pursuant to the Trust Agreement, (iii) State Sales Tax Revenues, defined herein, and (iv) all other moneys received by the Authority and designated by the Authority as Revenues. All of the Series 2008D Bonds are secured by a pledge of and charge and lien upon the Revenues, and in trust as security for the payment of the interest on and principal of and redemption premiums, if any, on the Series 2008D Bonds as provided under the Trust Agreement. This pledge constitutes a pledge of and charge and lien upon the Revenues on a parity with Funded Debt of the Authority, if any, as defined herein, and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Series 2008D Bonds. The pledge of and charge and lien upon State Sales Tax Revenues, however, is subordinate to certain State tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code, as amended. See “SECURITY FOR THE SERIES 2008 BONDS – State Sales Tax Account” herein.

### **Loan Agreement for the Series 2008D Bonds**

The summary of certain terms of the Loan Agreement follows:

*Income Fund.* Driggs, for and on behalf of the District, is required by the Ordinance to levy and collect local improvement assessments (the “**Loan Improvement Assessments**”) against the property within the District. The District is required under the terms of its Loan Agreement to agree and covenant that all Local Improvement Assessments shall be received by the Series 2008D Participant in trust and deposited when and as received in a special fund designated as the Income Fund, which fund is required to be maintained and held separate and apart from other funds of such Series 2008D Participant so long as any Repayment Installments remain unpaid. The Income Fund includes the Bond Fund and Interest Fund. To the extent a Series 2008D Participant has an existing fund which satisfies these requirements, then such shall be deemed to be the Income Fund. The Series 2008D Participant may maintain separate accounts within the Income Fund. The amounts in the Income Fund shall be invested in Permitted Investments.

All moneys in the Income Fund shall be set aside by the Series 2008D Participant at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth below:

First, for Repayment Installments. Not later than 15 days prior to each Repayment Installment Date, the Series 2008D Participant shall, from the moneys in the Income Fund, transfer to the Trustee the Repayment Installment due and payable on that Repayment Installment Date.



Second, for Other Amounts Due Under the Loan Agreement. Next, the Series 2008D Participant shall apply moneys in the Income Fund towards any other amounts due to the Authority or Trustee, if any, under the Loan Agreement.

Third, for Surplus. Moneys on deposit in a Series 2008D Participant's Income Fund not necessary to make the payments required above may be expended by such Series 2008D Participant at any time for any purpose permitted by law.

*Series 2008D Reserve Fund.* Pursuant to the Loan Agreement, the Series 2008D Participant is required to establish, hold and maintain a reserve fund (the "**Series 2008D Reserve Fund**") in an amount equal to the Reserve Requirement to be maintained as a debt service reserve fund for the Loan as evidenced by the Municipal Bond. The Series 2008D Participant will fund the Series 2008D Reserve Fund from its own available resources and not from Bond proceeds.

The Series 2008D Participant may draw upon its Series 2008D Reserve Fund if needed to make the Repayment Installments. In the event that a draw is made on the Series 2008D Reserve Fund, the Series 2008D Participant is required under its Loan Agreement to replenish its Series 2008D Reserve Fund to the Reserve Requirement as soon as possible, but not later than one year from the date of drawing.

*State Intercept.* The Series 2008D Participant understands that the State Intercept and repayment procedures contained in and required by Section 67-8727, Idaho Code, as amended, will provide funds to pay the Series 2008D Bonds (not the Loan obligations). The State Intercept applies only to funds which might be owing to the District (if any), not to funds owing to Driggs. The District currently does not receive any funds subject to the State Intercept.

*Parity Obligations.* The District may not at any time the Loan remains outstanding enter into any Parity Obligations.

### **Redemption Provisions of the Series 2008D Bonds**

*Optional Redemption.* The Series 2008D Bonds are subject to optional redemption prior to maturity at the written direction of the Authority, from any moneys deposited by the Authority, in whole or in part on any Repayment Installment Date on or after September 15, 2009, and among such maturities as are designated by the Authority to the Trustee, at the price of par, plus accrued interest, if any, to the date of redemption.

As provided in the Loan Agreement, the Series 2008D Participant may prepay its Repayment Installments in whole or in part on any Repayment Installment Date. The principal component of the Repayment Installments to be prepaid shall correspond in amount and maturity date to the Series 2008D Bonds related to such Loan Agreement.

*Notice of Redemption.* Notice of redemption shall be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Owners of the Series 2008D Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Each notice of redemption shall state that on said date there will become due and payable on each of said Series 2008D Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2008D Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice shall not invalidate any of the proceedings taken in connection with such redemption.

## Continuing Disclosure

Securities and Exchange Commission Rule 15c2-12 (the “**Rule**”) requires at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Series 2008 Bonds and the Loans, if material. Pursuant to the Rule, the Authority and the Participants have agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository or DisclosureUSA, and to the appropriate state information depository, if any, audited financial information of the Participants and certain financial information or operating data. In addition, the Authority and the Participants have agreed to provide, or cause to be provided, to (i) the NRMSIRs or DisclosureUSA, or (ii) the Municipal Securities Rulemaking Board and to the state information repository, if any, notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule.

The form of the Continuing Disclosure Agreement between the Authority and the Trustee as dissemination agent is included in Appendix D, attached hereto.

On September 14, 2005 and February 25, 2008, the Trustee acting in its role as dissemination for the Authority, filed a “Failure to File” notice with the NRMSIRs. Prior to the Fiscal Year that ended June 30, 2007, the Authority’s financial statement was incorporated as part of the State’s audit. The Authority’s audited financial report for Fiscal Year 2007 was filed with the NRMSIRs as an attachment to the Authority’s Official Statement for its Series 2008B Bonds.

The form of the continuing disclosure agreement for the Participants is included in the Loan Agreement. A summary of the Loan Agreements is attached to this Official Statement as Appendix E. To date, none of the Series 2008C or Series 2008D Participants has failed to comply with this reporting requirement under the Rule.

A failure by the Authority or a Participant to comply with a continuing disclosure undertaking as set forth in their continuing disclosure agreements will not constitute an event of default under the Trust Agreement or a Loan Agreement and owners of the Series 2008 Bonds are limited to the remedies described in the related undertakings referenced above. A failure by the Authority or a Participant to comply with a continuing disclosure undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2008 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2008 Bonds and their market price.

## Security for the Series 2008 Bonds

### General

The Series 2008 Bonds are limited obligations of the Authority and the interest thereon, principal thereof and premiums, if any, are payable solely from the amounts shown below (collectively, the “**Revenues**”):

- (i) all amounts payable to the Authority pursuant to the Loan Agreements, which include, System Net Revenues, Local Improvement Assessments and/or the State Intercept,
- (ii) all investment earnings on amounts held by the Trustee pursuant to the Trust Agreement,
- (iii) State Sales Tax Revenues, and
- (iv) all other moneys received by the Authority and designated by the Authority as Revenues.

The Loans payable from System Net Revenues are further secured by moneys available in the Series 2008C Reserve for the applicable Series 2008C Participants. The Series 2008D Bonds are further secured by moneys available in the City of Driggs Local Improvement District LID Series 2008D Reserve Fund.

The pledge in Section 67-8716(4), Idaho Code, provides that the State will not alter or limit the pledge of State Sales Tax Revenues from the sales tax account of the State (the “**Sales Tax Account**”) until the Series 2008

Bonds are paid in full. All of the Series 2008 Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and in trust as security for the payment of the interest on and principal of and redemption premiums, if any, on the Series 2008 Bonds as provided under the Trust Agreement. This pledge shall constitute a pledge of and charge and lien upon the Revenues on parity with all indebtedness of the Authority secured by any pledge, lien, security interest, encumbrance or charge of any kind on or in all or any part of the Revenues which is equal and ratable to the lien of the Trust Agreement on or in such Revenues ("**Funded Debt**"), if any, and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Series 2008 Bonds. The pledge of and charge and lien upon State Sales Tax Revenues, however, is subordinate to certain State tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code. See "APPENDIX E -- SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FORM OF LOAN AGREEMENT" attached hereto.

THE SERIES 2008 BONDS ARE NOT A DEBT OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE SERIES 2008 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS PROVIDED UNDER THE TRUST AGREEMENT AND THE ACT. THE SERIES 2008 BONDS DO NOT CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION. CERTAIN LOANS, HOWEVER, FUNDED BY THE SERIES 2008 BONDS DO CONSTITUTE INDEBTEDNESS OF THOSE SERIES 2008 PARTICIPANTS WITHIN THE MEANING OF CONSTITUTIONAL AND STATUTORY LIMITATIONS OR RESTRICTIONS.

PURSUANT TO SECTION 67-8724 OF THE ACT, THE STATE HAS PLEDGED NOT TO IMPAIR BONDHOLDER RIGHTS UNDER SECTION 67-8724 OF THE ACT. THE STATE ALSO PLEDGES AND AGREES WITH THE OWNERS OF THE BONDS, PURSUANT TO SECTION 67-8724 OF THE IDAHO CODE, THAT THE STATE WILL NOT LIMIT OR ALTER THE RIGHTS VESTED IN THE AUTHORITY BY THE ACT TO FULFILL THE TERMS OF ANY AGREEMENTS MADE WITH SUCH OWNERS, OR IN ANY WAY IMPAIR THE SECURITY, RIGHTS OR REMEDIES OF THE OWNERS OF THE BONDS UNTIL THE BONDS, TOGETHER WITH INTEREST THEREON, ARE FULLY PAID AND DISCHARGED. THE STATE PLEDGES TO AND AGREES WITH THE OWNERS OF THE BONDS THAT THE STATE WILL NOT ALTER, IMPAIR OR LIMIT THE RIGHTS VESTED BY THE SALES TAX ACCOUNT PLEDGE PROVIDED IN SECTIONS 67-8716 AND 63-3638, IDAHO CODE, WITH RESPECT TO THE BONDS UNTIL THE BONDS, TOGETHER WITH APPLICABLE INTEREST, ARE FULLY PAID AND DISCHARGED. THE AUTHORITY IS AUTHORIZED TO INCLUDE THIS PLEDGE AND AGREEMENT IN ANY INDENTURE, TRUST AGREEMENT OR OTHER AGREEMENT WITH THE HOLDERS OF SUCH BONDS. THIS PLEDGE HAS BEEN INCLUDED IN THE TRUST AGREEMENT.

#### **Additional Bonds**

Additional Bonds may be issued by the Authority under and pursuant to the Trust Agreement and subject to the conditions set forth therein. The Board has approved issuance of approximately \$27.82 million of Additional Bonds to be designated as the Series 2008E Bonds. The Series 2008E Bonds are scheduled to be sold on or about November 6, 2008. See "APPENDIX E -- SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FORM OF LOAN AGREEMENT -- Additional Bonds."

#### **Funded Debt**

Funded Debt, which is debt of the Authority secured by a pledge, lien, security interest, encumbrance or charge of any kind on or in all or any part of the Revenues, which is equal and ratable to the lien of the Trust Agreement on or in such Revenues, may be issued by the Authority under and pursuant to the Trust Agreement and subject to the conditions set forth therein. See "APPENDIX E -- SUMMARY OF CERTAIN PROVISIONS THE TRUST AGREEMENT AND THE FORM OF LOAN AGREEMENT."

## **Flow of Funds**

All money in each of the accounts held in trust by the Trustee are required by the Trust Agreement to be applied, used and withdrawn only for the purposes outlined below.

At least 15 days before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money sufficient to pay the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date. No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Series 2008 Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

At least 15 days before each September 15, commencing September 15, 2009, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount of all Outstanding Bonds maturing on such September 15. No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Series 2008 Bonds is at least equal to the aggregate amount of the principal of all Outstanding Bonds maturing on such September 15.

The Trustee shall withdraw from the Revenue Fund and deposit in the Subordinated Indebtedness Fund the amount, if any, required to be deposited therein pursuant to each Subordinated Indebtedness Trust Agreement to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness, if any, which will accrue to the end of such month, and any amounts required to replenish any reserve fund with respect to such Subordinated Indebtedness, in such amounts as shall be specified in a written request signed by an Authorized Representative. Currently, there is no Subordinated Indebtedness of the Authority.

On June 30 of each year, after making the required deposits into the Interest Account, Principal Account and Subordinated Indebtedness Fund, the Trustee may withdraw from the Revenue Fund and transfer to the Authority for deposit in the Surplus Fund the balance, if any, of moneys remaining in the Revenue Fund.

If on any date the amount in the Revenue Fund shall be less than the requirement of such Revenue Fund, and there shall not be on deposit in the Surplus Fund available moneys sufficient to cure any such deficiency, then the Trustee shall withdraw from the Subordinated Indebtedness Fund, if any, and deposit in the Revenue Fund the amount necessary (or all the moneys in the Subordinated Indebtedness Fund, if less than the amount required) to make up any such deficiency.

If on any date the amount in the Revenue Fund shall be less than the requirement of such Revenue Fund or the amount in the Subordinated Indebtedness Fund shall be less than the requirement of such Subordinated Indebtedness Fund, then the Authority shall transfer to the Trustee from the Surplus Fund; first to the Revenue Fund, second to the Subordinated Indebtedness Fund, and third to the Rebate Fund, as the case may be, the amount necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any such deficiency.

## **State Sales Tax Account**

*Pledge.* Monies transferred from the State Sales Tax Account to the Trustee are part of the Trust Estate pledged to the repayment of principal and interest on the Series 2008 Bonds. The State Sales Tax Account is comprised of retail sales taxes and taxes on rentals of tangible personal property, admission fees and fees for recreation or hotel/motel rooms of up through 30 days. Use tax applies if sales tax was not paid at the point of purchase. Exceptions include utilities, motor fuels, prescription drugs, tangible personal property used in manufacturing, farming, processing, mining and fabricating.

In the event a Participant fails to deposit sufficient funds with the Trustee to make full payment of principal of and interest on the Series 2008 Bonds by the 10th day prior to the Payment Date of the Series 2008 Bonds, the Trustee is required to notify the Authority and State Treasurer, who shall intercept payments under the State Intercept, and if the State Intercept is insufficient for such Participant to transfer the full payment of principal and interest on the Series 2008 Bonds, the State Treasurer is required, pursuant to Section 67-8727(1)(e)(ii)(A),

to give notice to the Tax Commission, certifying the amount of the deficiency, at least 5 days prior to the Payment Date of the Series 2008 Bonds. After receipt of the certified notice from the State Treasurer, the Tax Commission shall, pursuant to the Act: (i) immediately fix the amount necessary and in the amount of the deficiency stated in the notice; and (ii) cause moneys to be transferred from the State Sales Tax Account and deposited in the Series 2008 Bond Bank Authority Fund; *provided however*, that the transfer of moneys from the State Sales Tax Account, under the provisions of Section 67-8716 of the Act, shall not impede or otherwise limit the payment of sales tax moneys pledged for the payment on tax anticipation notes issued by the State pursuant to Section 63-3202, Idaho Code. See "STATE SALES TAX ACCOUNT - Senior Liens on State Sales Taxes" below.

Moneys transferred from the State Sales Tax Account to the Bond Bank Authority Fund shall be transferred by the Authority to the Trustee and deposited in the Revenue Fund for the Series 2008 Bonds until there are sufficient amounts on deposit to pay principal of and interest on the Series 2008 Bonds on the Payment Date and then to the State for reimbursement of any moneys transferred from the State Sales Tax Account pursuant to Section 67-8716, Idaho Code, to pay debt service on the Series 2008 Bonds on the Payment Date, together with any interest or penalties established pursuant to Section 67-8725, Idaho Code.

As of the date of this Official Statement, the Authority has seven series of revenue bonds outstanding that are on parity with the Series 2008 Bonds with respect to the pledge of the State Sales Tax Revenue: the Series 2004A Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds, the Series 2007B Bonds, the Series 2008A Bonds and the Series 2008B Bonds (together with the Series 2008 Bonds, the "**Outstanding Bonds**").

Appendix F attached hereto summarizes the Outstanding Bonds and the Series 2008 Bonds, including the original amount of each Loan, the balance outstanding on each, the percentage of each of the total principal amounts of all of the Loans relating to the Loan Agreements, the final maturity date of each, the payment for Fiscal Year 2009 of each, the percentage of each of total payment for the Outstanding Bonds for Fiscal Year 2009 and Pledged Revenues related to each Loan Agreement.

*Senior Liens on State Sales Tax Revenues.* The Idaho School Bond Guaranty is secured by a pledge of State Sales Tax Revenues pursuant to Chapter 53, Title 33, Idaho Code. Bonds secured by the Idaho School Bond Guaranty as of July 1, 2001 would have a lien on State Sales Tax Revenues superior to that of the Series 2008 Bonds. However, there were no bonds issued on or prior to July 1, 2001 that were secured by the Idaho School Bond Guaranty. Bonds secured by the Idaho School Bond Guaranty after such effective date do not have a superior lien on State Sales Tax Revenues.

From time to time, the State issues tax anticipation notes for cash flow purposes. Pursuant to Chapter 32, Title 63 of the Idaho Code, the State may borrow monies in anticipation of general tax revenues (i.e., income and revenue from taxes, whether specific, *ad valorem*, excise, income, sales, franchise or license), in a principal sum not to exceed 75 percent of the income or revenue from such taxes that the State reasonably anticipates to be collected during the fiscal year. General tax revenues to be collected during Fiscal Year 2009 are expected to be not less than \$2,853,950,000 which provides a limit of \$2,141,962,500 on such borrowings for Fiscal Year 2009. The State's tax anticipation notes represent 21 percent of the Fiscal Year 2009 projected general tax revenues, which is less than the 75 percent limit allowed by the Code. Outstanding State tax anticipation notes do not have a superior lien on State Sales Tax Revenues.

Listed below are the amounts borrowed and retirement dates of tax anticipation notes in the past eight fiscal years.

### State Tax and Revenue Anticipation Notes

Fiscal Year	Principal	Interest Rate	Maturity Date
2009	\$600,000,000	3.00%	June 30, 2009
2008	400,000,000	4.50%	June 30, 2008
2007	100,000,000	4.50%	June 29, 2007
2006	260,000,000	4.00%	June 30, 2007
2005	230,000,000	3.00%	June 30, 2005
2004	375,000,000	2.00%	June 30, 2004
2003	350,000,000	3.00%	June 30, 2003
2002	250,000,000	3.75%	June 28, 2002
2001	200,000,000	5.38%	June 29, 2001

Source: Idaho State Treasurer's Office, September 8, 2008.

Rates and Receipts. Sales tax rates since inception of the tax have been as follows:

#### Historical State Sales Tax Rates

Dates	Rate
October 1, 2006 -- present	6.00% <sup>(1)</sup>
July 1, 2005 -- September 30, 2006	5.00% <sup>(2)</sup>
May 1, 2003 -- June 30, 2005	6.00% <sup>(2)</sup>
April 1, 1986 -- April 30, 2003	5.00%
July 1, 1984 -- March 31, 1986	4.00%
June 1, 1983 -- June 30, 1984	4.50%
March 1, 1983 -- May 31, 1983	4.00%
July 1, 1965 -- February 28, 1983	3.00%

- (1) In a special session of the Idaho State Legislature in August 2007, the School Maintenance and Operation Levy (the "M&O Levy") that supported public school districts was replaced with a one percent increase to the State's sales tax, effective October 1, 2007, raising the sales tax rate to 6 percent from 5 percent.
- (2) The 2003 Economic Recovery and Stabilization Act increased the sales tax from 5 percent to 6 percent for the period May 1, 2003 through June 30, 2005. The sales tax returned to 5 percent on July 1, 2005.

Source: Idaho State Treasurer's Office.

#### State of Idaho Taxable Sales and Use Taxable Sales (\$000)

Calendar Year	Amount	% Growth	Calendar Year	Amount	% Growth
2008 <sup>(1)</sup>	\$ 13,825,622	- - -	2001	\$ 14,211,532	-4.70%
2007	22,755,610	5.50%	2000	14,912,310	2.13%
2006	21,569,588	6.91%	1999	14,601,265	12.57%
2005	20,174,828	13.36%	1998	12,970,353	4.31%
2004	17,796,781	6.85%	1997	12,434,851	1.21%
2003	16,655,483	2.85%	1996	12,285,739	5.69%
2002 <sup>(2)</sup>	16,193,606	8.59%	1995	11,624,000	- - -

(1) Amounts collected through August 2008.

(2) Due to a system conversion at the end of Fiscal Year 2001, some taxable sales and use taxable sales from Fiscal Year 2001 were reported in Fiscal Year 2002.

Source: Idaho State Tax Commission Annual Reports.

The Idaho State Tax Commission (the “**Tax Commission**”) collects and audits State sales tax receipts. State sales taxes are received by the State on the 20<sup>th</sup> day of each month unless the amount is less than \$500, in which case it is received quarterly.

Total sales taxes received by the Tax Commission in the past eight years are shown in the following table:

#### Historical State Sales Tax Receipts

Fiscal Year Ended June 30	Sales Tax Receipts	Percent Change from Prior Year
2009	\$1,222,902,000 <sup>(1)</sup>	-8.7%
2008	1,339,278,004	3.6%
2007	1,292,854,661	20.7%
2006	1,071,204,918	-4.8%
2005	1,125,316,962	8.9%
2004	1,032,987,504	23.1%
2003	839,180,862	--

Source: Idaho State Tax Commission Annual Reports.

(1) Projection provided by the Division of Financial Management. Amount is likely to vary and such variance may be significant.

#### State Intercept Payments

The State collects certain revenues that are disbursed to local governments, including the Participants, except that the Series 2008D Participant, the District, currently receives no such revenues and does not expect to receive such revenues in the future. Such revenues collected by the State and distributed to the Series 2008C Participants are subject, under the terms of the Act and the Loan Agreements for such Series 2008C Participants, to the State Intercept and repayment procedures contained in Section 67-8727, Idaho Code, as amended by Senate Bill No. 1485 (“**SB 1485**”) of the Fifty-ninth Legislature of the State of Idaho. SB 1485 became effective July 1, 2008.

State-administered and collected revenues that are disbursed to local governments include State sales taxes (the “**State Shared Sales Tax**”), liquor taxes, cigarette taxes (disbursed to counties) and fuel taxes, among others. Although taxes on fuel are subject to the State Intercept, such tax receipts are restricted by the Idaho Constitution for use on roads and highway projects and may not be used for payment of principal of and interest on the Series 2008C Bonds. The State Shared Sales Tax distributed to the Series 2008C Participants represents the majority of interceptable funds that could be applied to make a payment on the Series 2008C Bonds. In the State’s Fiscal Year 2008, the State Shared Sales Tax and liquor tax totaled \$176,974,192; the amount distributed to the Series 2008C Participants totaled \$383,666.

#### State-Collected Taxes Subject to Intercept (Fiscal Year 2008)

Tax	Total State Receipts	2008C Participants’ Allocation
State Shared Sales Tax	\$152,578,192	\$326,067
Liquor Tax	24,396,000	57,599

Source: Idaho Tax Commission and Idaho Liquor Dispensary, September 2008.

The Tax Commission collects State sales tax and conducts audits on such taxes. In addition, the Tax Commission collects hotel/motel room sales tax, corporate net income tax, electricity tax, estate tax, Illegal Drug Stamp Act tax, mine license tax, and personal income tax. **Pursuant to the Act, the Series 2004A Bonds,**

**Series 2007A Bonds and Series 2008B Bonds provide for an intercept of State Shared Sales Tax under certain circumstances. The intercept applies to a portion of the Series 2006A Bonds, a portion of the Series 2006B Bonds and a portion of the Series 2008A Bonds. The intercept does not apply to the Series 2007B Bonds. The Series 2008 Bonds are subject to the intercept, except that the Series 2008D Participant, the District, currently receives no State revenues and is not expected to receive such revenues in the future.**

Pursuant to Idaho Code 63-3638 (9), State Shared Sales Tax revenue is distributed through a revenue sharing account held by the State Treasury to cities, counties and special districts (the “**State Shared Revenues**”). Distributions to cities and counties are made at the end of each quarter, which is each September 30, December 30, March 31, and June 30.

Sales tax rates and distribution of State Shared Sales Tax receipts are determined by statute. In 2003, the Idaho Legislative Session took two actions related to sales taxes. First, it increased the sales tax rate for the two-year period from May 1, 2003, through June 30, 2005. Second, it reduced the amount available for distribution to the State Shared Revenue account through July 31, 2005. Similarly, in a special session in August 2006, the Idaho State Legislature increased the sales tax rate from 5 percent to 6 percent, effective October 1, 2006, and eliminated the M&O Levy on property taxes that supported public school districts.

**Sales Tax Rates and Allocation to State Shared Revenue Account**

	<b>Sales Tax Rate</b>	<b>Allocation Percentage to State Shared Revenue Account</b>
2002	5%	13.75%
2003	5%-6% <sup>(1)</sup>	13.75
2004	6%	11.50%
2005	6%	11.50%
2006	5%-6% <sup>(2)</sup>	13.75% <sup>(3)</sup>
2007	6%	11.50%
2008	6%	11.50%

(1) Changed to 6 percent on May 1, 2003.

(2) In a special session of the Idaho State Legislature in August 2006, the M&O Levy that supported public school districts was replaced with a one percent increase to the State’s sales tax, effective October 1, 2006, raising the sales tax rate to 6 percent from 5 percent.

(3) Distribution based on the State’s 5 percent sales tax rate.

*Source: Idaho Tax Commission Annual Reports.*

The Fifty-ninth Legislature approved House Bill No. 599 (“**HB 599**”), which became fully effective on July 1, 2008. HB 599 amended portions of Chapter 63 of the Idaho Code, the Revenue and Taxation Act. According to the Statement of Purpose that accompanied HB 599, the purpose of HB 599 is to phase out the personal property tax that applies to business machinery, tools, furnishings, equipment and some fixtures over five years. Elements of the legislation included an immediate and retroactive to January 1, 2008 exemption of all new personal property purchased since that date. The remaining personal property on the books prior to that date was assessed for 2008. This process established the actual gross dollar amount that is to be repaid by the State to local government throughout the phase out and into perpetuity. The five-year phase out starting in 2009 or Fiscal Year 2010 will be in 20 percent increments until all of the personal property tax paid by business is eliminated and the State is fully reimbursing local governments. Each year the receipts to the State general fund revenue will need to exceed the receipts to the general fund during the previous fiscal year by more than 4 percent for each increment to be phased in. The legislation also eliminates a current ongoing shift of tax liability from personal property to real property and gives assurances to State budget writers using the trigger mechanism that is the same as the one used for the budget stabilization account.

Eleven and one-half percent of all revenues collected under the Revenue and Taxation Act is continuously appropriated for distribution to the revenue sharing account in the State Treasury. The State Shared Revenues are to be distributed as follows:

- (i) 28.2 percent to cities according to city population (50 percent) and assessed market value (50 percent).



- (ii) 28.2 percent to counties. Of this amount, \$1,320,000 is to be distributed equally among each of the counties and the balance is to be distributed based on county population.
- (iii) 35.9 percent to various counties for distribution to those cities and counties in Idaho that received payments under Section 63-3638(e) in the fourth quarter of calendar year 1999. Because of a "hold harmless" provision in the county distribution, cities receive a base, which is equal to the amount received in the fourth quarter of calendar year 1999. If sales tax collections fall below the 1999 level, payments to cities and counties are reduced proportionately. If sales tax receipts exceed this level, cities can receive revenues up to 5 percent above their base. Any excess in sales tax receipts over 105 percent of the base level is distributed half to cities and half to counties, and apportioned according to city population.
- (iv) 7.7 percent to the various counties for distribution to special purpose districts.

*Recourse to State Intercept and State Sales Tax Account; Repayment Procedures; Intercept Payments.* The Series 2008C and Series 2008D Participants are required to (i) transfer funds to the Trustee at least 15 days before the Repayment Installment Date; and (ii) acknowledge the State Intercept. Repayment procedures contained in Section 67-8727, Idaho Code, operate by law for all Participants, as set forth below:

If a Participant fails to deposit sufficient funds with the Trustee to make full payment of principal of and interest on the Series 2008 Bonds by the tenth day prior to the Payment Date of the Series 2008 Bonds, the Trustee is required to notify the Authority and State Treasurer who shall intercept payments under the State Intercept, and if the State Intercept is insufficient for such Participants whose Loan Agreement requires the State Intercept for the State Treasurer to transfer the full payment of principal and interest on the Series 2008 Bonds, the State Treasurer is required, pursuant to Section 67-8727(1)(e)(ii)(A), to give notice to the Tax Commission, certifying the amount of the deficiency, at least 5 days prior to the Payment Date of the Series 2008 Bonds. After receipt of the certified notice from the State Treasurer, the Tax Commission shall, pursuant to the Act: (i) immediately fix the amount necessary and in the amount of the deficiency stated in the notice; and (ii) cause moneys to be transferred from the State Sales Tax Account and deposited in the Series 2008 Bond Bank Authority Fund; provided however, that the transfer of moneys from the State Sales Tax Account, under the provisions of Section 67-8716 of the Act, shall not impede or otherwise affect the payment of sales tax moneys pledged for the payment on other bonds outstanding as of July 1, 2001, if any, or tax anticipation notes issued by the State pursuant to Section 63-3202, Idaho Code.

If the State has made all or part of a Repayment Installment from moneys transferred from the State Sales Tax Account pursuant to Section 67-8716, Idaho Code, on behalf of the Participant, the Participant shall: (a) reimburse all moneys drawn by the State Treasurer on its behalf; (b) pay interest to the State on all moneys paid by the State from the date the moneys are drawn to the date they are repaid at a rate not less than the average prime rate for national money center banks plus 5 percent; and (c) pay all penalties required by the Act.

#### **Additional Obligations of Participants**

*Parity Debt (Revenue Bonds).* Those Series 2008C Participants whose principal of and interest on the Bonds are payable from System Net Revenues may at any time enter into any Parity Debt; *provided:*

- (i) Such Series 2008C Participant shall be in compliance with all agreements, conditions, covenants and terms contained in the Loan Agreement, and a Certificate of the Participant to that effect shall have been filed with the Trustee;
- (ii) The Parity Debt shall have been duly authorized pursuant to all applicable laws; and
- (iii) The most recent available audit of the Series 2008C Participant shows that the System Net Revenues for the Fiscal Year immediately preceding the date of the resolution authorizing the Parity Debt shall have been sufficient to pay an amount representing 125 percent of Maximum Annual Debt Service; or

- (iv) As an alternative to the audit report requirement, the Series 2008C Participant may utilize a report of the Consulting Engineer that shows that the System Net Revenues for the remainder of the projected life of the Parity Debt will be at least equal to 125 percent of the Maximum Annual Debt Service.

In determining whether Parity Debt may be issued, the Consulting Engineer shall consider any probable increase (but not decrease) in Operation and Maintenance Costs, and there may be added to such System Net Revenues an allowance for net revenues from any improvements to the System to be made with the proceeds of such Parity Debt and also for net revenues from any improvements to the System which have been made from money from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 75 percent of the estimated additional average annual net revenues to be derived from each such improvement for the first 36 month period in which each such improvement is in operation.

There is no limitation on the issuance of any revenue bonds of either Series 2008C Participant payable from its System Net Revenues and secured by a lien and charge on its System Net Revenues if, after the issuance and delivery of such revenue bonds, none of its Repayment Installments shall be unpaid. Furthermore, there is no limitation of the issuance of any Parity Debt for the purpose of refunding Outstanding Parity Debt, or on the issuance of any Subordinate Obligations.

THE 2008C PARTICIPANTS MAY NOT ISSUE ANY BOND OR OTHER OBLIGATION HAVING A LIEN PRIOR AND SUPERIOR TO THE LIEN OF THE PARITY OBLIGATIONS.

*Series 2008D Participant.* The Series 2008D Participant may not at any time the Loan remains outstanding enter into any Other Obligations.

### **The 2008 Participants and the 2008 Projects**

Set forth below is certain information concerning the 2008 Participants, the 2008 Projects and a summary of the pledged revenues contained in the Loan Agreement.

#### **The 2008 Participants and the 2008 Projects**

Series 2008C Participant	Loan Amount	Loan Term	Maximum Annual Debt Service	Project Description	Pledged Revenue in Loan Agreement
City of Buhl	\$ 14,990,000	09/15/38	\$ 1,024,481	Wastewater System improvements to meet regulatory requirements	System Net Revenues and Reserve Fund
City of Buhl	\$ 8,000,000	09/15/38	\$ 547,181	Drinking Water System improvements to meet regulatory requirements	
Ciy of Kendrick	\$ 370,000	09/15/19	\$ 51,725	Refinance the City's Water and Sewer Revenue Bonds, Series 1996	
Series 2008D Participant					
City of Driggs	\$ 365,000	09/15/23	\$ 37,135	Finance improvements that were completed in Local Improvement District 2006-1 in January 2008	Assessment contracts and Reserve Fund

The Municipal Bonds for the Series 2008 Bonds were duly authorized. The Loan Ordinances were approved by the governing body of the respective Participant (the “**Authorizing Action**”). The Authorizing Action authorizes the Participant to execute its Loan Agreement with the Authority and to issue its Municipal Bond evidencing such Loan Agreement to the Authority dated as of the Date of Delivery.

The Loan Agreement for each of the Series 2008C Participants is payable from the System Net Revenues and for the Series 2008D Participant from local improvement assessments. Interest and principal payments due on each Municipal Bond will equal the Repayment Installments of the respective Loan Agreement.

The Repayment Installments are payable solely from (i) all amounts payable to the Authority pursuant to the Loan Agreement and moneys available in each Series 2008 Participant’s respective Series 2008 Reserve Fund, (ii) all investment earnings on amounts held by the Trustee pursuant to the Trust Agreement, and (iii) all other moneys received by the Authority and designated by the Authority as available to make payments on the Bonds. The State Intercept may provide funds to pay the Series 2008 Bonds in the event Repayment Installments are insufficient.

### **Rating**

As noted on the cover page of this Official Statement, the Authority received an underlying rating of Aa2 for the Series 2008 Bonds from Moody’s Investors Service. The rating reflects only the views of the rating agency and an explanation of the significance of the rating may be obtained from the rating agency. There is no assurance that the rating will be retained for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating will be likely to have an adverse effect on the market price of the Series 2008 Bonds.

### **Financial Factors**

Each municipal corporation in the State must obtain an audit and examination of its funds and account groups at least once each year pursuant to State Code as required in 67-450B. Municipalities having annual expenditures of less than \$50,000, with the exception of those entities receiving federal assistance, are exempt from this requirement. The required audit may be performed by independent public accountants certified by the State as capable of auditing municipal corporations.

The Authority was formed in 2004. Prior to the Fiscal Year that ended September 30, 2007, the Authority’s financial statement was incorporated as part of the State’s audit. A separate audited financial report for Fiscal Year 2007 was completed for the Authority, has been filed with each of the NRMSIRs and is attached hereto as Appendix G. Copies of future financial statements of the Authority may be ordered, when available, by contacting the individual NRMSIRs at the addresses herein or by contacting DisclosureUSA.

The Series 2008C and Series 2008D Participants’ most current audited financial statements feature clean opinions from their respective auditors. Copies of the audited financial statements as of September 30, 2007 for the Series 2008C and Series 2008D Participants were filed with and are available from each of the NRMSIRs, and are incorporated herein by reference.

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The Tax Commission produces an annual report that includes information on State-administered tax rates and distribution of tax receipts. This annual report is available by contacting the Tax Commission in writing to Idaho State Tax Commission, PO Box 36, Boise Idaho 83722-0410, or by obtaining it from the Tax Commission's internet site, which is currently [http://tax.idaho.gov/annual\\_reports.htm](http://tax.idaho.gov/annual_reports.htm). The Tax Commission website is not incorporated into this Official Statement by such reference and is not a part hereof.

## **Legal and Tax Matters**

### **Legal Matters**

Legal matters incident to the authorization, issuance and sale of the Series 2008 Bonds are subject to the approving legal opinion of Tax Counsel, Orrick Herrington and Sutcliffe LLP, San Francisco, California, substantially in the form attached hereto as Appendix B and to the approving legal opinion of Skinner Fawcett. Tax Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Skinner Fawcett, Boise, Idaho, as Bond Counsel to the Authority, will provide a final approving legal opinion on other than tax matters and a disclosure opinion. Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, bond counsel to the Participants, will provide an opinion with respect to each of the Participant's Loan Agreements and the Municipal Bonds.

### **Tax Matters**

In the opinion of Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of Idaho personal income taxes. In the further opinion of Tax Counsel, interest on the Series 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Tax Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Tax Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Series 2008 Bonds is less than the amount to be paid at maturity of such Series 2008 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2008 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2008 Bonds which is excluded from gross income for federal income tax purposes and is exempt from State of Idaho personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2008 Bonds is the first price at which a substantial amount of such maturity of the Series 2008 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2008 Bonds accrues daily over the term to maturity of such Series 2008 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2008 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2008 Bonds. Beneficial owners of the Series 2008 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2008 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2008 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2008 Bonds is sold to the public.

Series 2008 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (the “**Premium Series 2008 Bonds**”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Series 2008 Bonds, like the Premium Series 2008 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Series 2008 Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Series 2008 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2008 Bonds. The Authority and the Participants have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2008 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2008 Bonds being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Series 2008 Bonds. The opinion of Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Tax Counsel’s attention after the date of execution and delivery of the Series 2008 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2008 Bonds. Accordingly, the opinion of Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Tax Counsel is of the opinion that interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of Idaho personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008 Bonds may otherwise affect an beneficial owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner’s other items of income or deduction. Tax Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2008 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions (including the matter described below) may affect the market price for, or marketability of, the Series 2008 Bonds. Prospective purchasers of the Series 2008 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Tax Counsel expresses no opinion.

The opinion of Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Tax Counsel’s judgment as to the proper treatment of the Series 2008 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“**IRS**”) or the courts. Furthermore, Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority and the Participants, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Participants have covenanted, however, to comply with the requirements of the Code.

Tax Counsel’s engagement with respect to the Series 2008 Bonds ends with the issuance of the Series 2008 Bonds, and, unless separately engaged, Tax Counsel is not obligated to defend the Authority, the Participants or the beneficial owners regarding the tax-exempt status of the Series 2008 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and the Participants and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit

examination of tax-exempt Series 2008 Bonds is difficult, obtaining an independent review of IRS positions with which the Authority and the Participants legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2008 Bonds for audit, or the course or result of such audit, or an audit of Series 2008 Bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2008 Bonds, and may cause the Authority, the Participants or the beneficial owners to incur significant expense.

## **The Initiative Process**

Title 34, Chapter 18 of the Idaho Code reserves to the people of the State the initiative and referendum power pursuant to which measures designed to amend the Idaho Constitution or enact legislation, can be placed on the State-wide general election ballot for consideration by the voters. “**Referendum**” generally means measures which have been passed by the legislature and then referred to the electors by a legislative body, such as the State Legislative Session or the governing body of a city, county or other political subdivision, or by petition prior to its effective date. “**Initiative**” generally means a new measure placed before the voters as a result of a petition circulated by one or more private citizens.

Any person may file a proposed initiative with the signatures of 20 qualified electors of the State in the Idaho Secretary of State’s office. The Idaho Attorney General is required by law to review and make recommendations (if any) on the petition before issuing a review to the Secretary of State. The Attorney General, after a specified time period, shall then be directed by the Secretary or State to provide a ballot title for the initiative. Any elector that submitted written comments who is dissatisfied with the ballot title certified by the Attorney General may petition the Idaho Supreme Court seeking a revision of the certified ballot title.

Once the ballot title has been certified and the Secretary of State has authorized the petitioners, the proponents of the initiative, during an 18 month circulation period or until April 30 in an election year, whichever occurs first, may start gathering the initiative petition signatures necessary to place the proposed initiative on the ballot. To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by a number of qualified voters equal to a specified percentage of the qualified electors at the general election next preceding the filing of the petition with the Secretary of State.

All petitions for initiative and referendum must contain signatures of registered voters equal to 6 percent of the qualified electors at the last general election (this would be 45,893 signatures based on the last general election, which was held on November 2, 2006) before being considered for final filing.

The initiative petition must be filed with the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signature is being paid, the signature sheet must contain a notice of such payment.

Referendum petitions must be filed not more than 60 days after the final adjournment of the session of the Idaho State Legislature which passed the bill on which the referendum is demanded.

### **Historical Initiative Petitions**

According to the Elections Division of the Idaho Secretary of State, the number of initiative petitions that have qualified for the ballot in the past decade, and the number that have passed in the general elections are as follows:

### Historical Initiative Petitions

Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that Passed
2008	0	0
2006	2	0
2004	0	0
2002	1	1
2000	0	0
1998	1	1
1996	4	1

Source: Elections Division, Idaho Secretary of State; <http://www.idsos.state.id.us/elect/inits/initinfo.htm>, September 12, 2008.

### Current Initiative Petitions

As of the date that this Official Statement, no initiatives have been certified to be on the ballot for the November 2008 ballot.

### Litigation

There is no litigation pending or threatened questioning the validity of the Loans or the Series 2008 Bonds, the power and authority of the Participants to enter into the Loan Agreements or the power and authority of the Authority to issue the Series 2008 Bonds and loan the Series 2008 Bond proceeds to the Participants under the Loan Agreements. There is no litigation pending or threatened that would materially affect the finances of the Participants or affect the Participants' ability to meet debt service requirements on the Loans.

### Financial Advisor

In connection with the authorization and issuance of the Series 2008 Bonds, the State has retained Western Financial Group, LLC, Lake Oswego, Oregon, as its financial advisor. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Western Financial Group, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

### Underwriting

The Series 2008 Bonds are being purchased by Seattle-Northwest Securities Corporation, the Underwriter.

The purchase contract provides that the Underwriter will purchase all of the Series 2008C Bonds, if any are purchased, at a price of 100.5827 percent of the par value of the Series 2008C Bonds. The Series 2008C Bonds will be reoffered at an average price of 101.1287 percent of the par value of the Series 2008C Bonds.

The purchase contract provides that the Underwriter will purchase all of the Series 2008D Bonds, if any are purchased, at a price of 97.9260 percent of the par value of the Series 2008D Bonds. The Series 2008D Bonds will be reoffered at an average price of 100 percent of the par value of the Series 2008D Bonds.

After the initial public offering, the public offering prices may be varied from time to time.

### Concluding Statement

The information set forth herein is not to be construed as a contract with the Owners of the Series 2008 Bonds.

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# Appendix A

## Definitions

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## DEFINITIONS

Unless the context otherwise requires, the terms in this Official Statement shall have the meanings defined below:

“Act” means the Idaho Bond Bank Authority Act, being Idaho Code, Title 67, Chapter 87, as amended.

“Additional Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the provisions of the Trust Agreement concerning the Issuance of Bonds.

“Aggregate Debt Service” shall mean, for all Sales Tax Secured Debt for such period, as of any date of calculation and with respect to any period, the sum of: (1) the interest falling due on such Sales Tax Secured Debt during such period (except to the extent that such interest is payable from the proceeds of such Sales Tax Secured Debt set aside for such purpose), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similar) payments or deposits required with respect to such Sales Tax Secured Debt during such period; computed on the assumption that no portion of such Sales Tax Secured Debt shall cease to be outstanding during such period except by reason of the application of such scheduled payments; provided that if interest on Sales Tax Secured Debt is payable pursuant to a variable interest rate formula, the interest rate on such Sales Tax Secured Debt for periods when the actual interest rate cannot be yet determined shall be assumed to be equal to the greater of (a) the current interest rate calculated pursuant to the provisions of such agreement or, (b) if available, the daily average interest rate on such Sales Tax Secured Debt during the preceding thirty-six (36) months preceding the date of calculation, (c) if such Sales Tax Secured Debt has not been outstanding for such 36-month period, such daily average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by a nationally recognized bond rating agency with a rating similar to the rating on such Sales Tax Secured Debt, or (d) the maximum rate established by any borrowing document authorizing the variable rate debt.

“Annual Debt Service” means, for any Fiscal Year, the sum of (1) the interest accruing on all Parity Debt during such Fiscal Year, assuming that all Parity Debt is retired as scheduled, plus (2) the principal amount (including principal due as sinking fund installment payments) allocable to all Parity Debt in such Fiscal Year, calculated as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts from, in each case, each payment date for principal or the date of delivery of such Parity Debt (provided that principal shall not be deemed to accrue for greater than a 365-day period prior to any payment date), as the case may be, to the next succeeding payment date for principal.

“Authority” means the Idaho Bond Bank Authority created pursuant to the Act and its successors and assigns in accordance to the Trust Agreement.

“Authority Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom—

- (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and
- (3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority.

“Authorized Municipality Representative” means the Mayor or Municipality Clerk, or any such officer’s designee, or any other officer of the Municipality duly authorized by the Municipality.

“Authorized Denominations” means the amount or amounts so designated in the Supplemental Trust Agreement authorizing such Bonds, and with respect to the Series 2008C Bonds and Series 2008D Bonds, \$5,000 or any integral multiple thereof.

“Authorized Representative” means the Executive Director, Secretary or Treasurer of the Authority, or any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

“Bonds” means the Series 2004A Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds, the Series 2007B Bonds, the Series 2008C Bonds, the Series 2008D Bonds and all Additional Bonds.

“Bond Counsel” means counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Authority.

“Bond Fund” means a special fund created under the 2008C and 2008D Participant ordinance and held by the 2008C and 2008D Participants to be used solely for the purpose of paying the Repayment Installments as the same become due, so long as any of the Repayment Installments remain outstanding and unpaid.

“Bond Owner” or “Holder” means any person who shall be the registered owner of any Outstanding Bond.

“Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of New York or State of Idaho are authorized to remain closed, or a day on which the Federal Reserve system is closed.

“Capital Appreciation Bonds” means the Bonds of each Series so designated and which bear interest payable as a portion of the Accreted Value of such Bonds at the maturity or earlier redemption or payment thereof.

“Certificate of the Authority” means an instrument in writing signed by the Secretary or Treasurer of the Authority, or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

“Certificate of the Municipality” means an instrument in writing signed by an Authorized Municipality Representative, such authorization to be evidenced by a certificate verifying the specimen signatures of such officers at the request of the Trustee.

“Code” means the Internal Revenue Code of 1986, as amended.

“Consulting Engineer” means any qualified registered or licensed professional engineer practicing under the laws of the State of Idaho selected by the Municipality.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement executed by the Authority dated the date of issuance and delivery of a Series of Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, execution and delivery of the Trust Agreement and the issuance and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and

recording fees, fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, premiums of any provider of Bond Insurance, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority and any other authorized cost, charge or fee in connection with the issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the provisions of the Trust Agreement concerning Funds and Accounts.

“Current Interest Bonds” means the Bonds of each Series so designated and which bear interest payable on the Interest Payment Dates applicable to such Series.

“Depository” means DTC or another recognized securities depository selected by the Authority which maintains a book-entry system for the Bonds.

“DEQ” means the Department of Environmental Quality of the State of Idaho.

“DTC” means The Depository Trust Company, New York, New York.

“Event of Default” shall have the meaning specified in the provisions of the Trust Agreement concerning Events of Default and Remedies of Bond Owners.

“Final Compounded Amount” means, with respect to any Capital Appreciation Bond, the Accreted Value thereof on its maturity date.

“Financial Newspaper” means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news, and selected by the Authority.

“Fiscal Year” means the twelve (12) month period terminating on June 30 of each year, or any other annual accounting period thereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Funded Debt” shall mean all Indebtedness of Authority secured by a Parity Lien.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Government Securities” means cash (insured at all times by the Federal Deposit Insurance Corporation) or obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, General Services Administration, Guaranteed Title XI financing, Government National Mortgage Association (GNMA), State and Local Government Series. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“Income Fund” means the fund by that name created pursuant to the provisions of the Loan Agreement and/or ordinance or resolution of the Municipality.

“Indebtedness” means bonds, notes or other obligations of the Authority issued pursuant to the Act.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10<sup>th</sup> Floor, Jersey City, NJ 17302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway, 16<sup>th</sup> Floor, New York, NY 10006; Moody’s Investors Service’s “Municipal and Government,” 99 Church Street, 8<sup>th</sup> Floor, New York, NY 10007, Attention: Municipal News Reports; and Standard & Poor’s Ratings Group’s “Called Bond Record,” 25 Broadway, 3<sup>rd</sup> Floor, New York, NY 10004; or, in accordance with the current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or such services as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Initial Amount” means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond on the date of issuance thereof.

“Interest Payment Date” means with respect to the Bonds of any Series, the interest payment dates for such Series specified in the Supplemental Trust Agreement authorizing the issuance of such Series, and with respect to the Series 2008C Bonds and Series 2008D Bonds, each September 15 and March 15, commencing March 15, 2009.

“Loan Agreement” means the loan agreements between the Authority and the Municipalities identified in Exhibit B of the Loan Agreement.

“Loan” means each water and sewer revenue loan or local improvement district loan made by the Authority pursuant to the Act to each of the Participants.

“Master Trust Agreement” means a master trust agreement between the Authority and the Trustee, dated as of December 1, 2004.

“Maturity Amount” shall mean, (i) with respect to a Capital Appreciation Bond, the Final Compounded Amount thereof, and (ii) with respect to a Current Interest Bond, the stated principal amount thereof.

“Maximum Annual Debt Service” means, as of any date of calculation, the largest Annual Debt Service during the period from the date of such calculation through the final maturity date of all Parity Debt.

“Moody’s” means Moody’s Investors Service, Inc. a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Municipal Bonds” means a bond, note, or other obligation, including a loan, lease or installment sales agreement, issued or undertaken by a Municipality for any purpose authorized by law, as specified in a Supplemental Trust Agreement, and collectively, the loan agreements identified in Exhibit B of the Seventh Supplemental Trust Agreement and including a Bond.

“Municipal Bond Purchase Fund” means the fund by that name established pursuant to the provisions of the Loan Agreement concerning Funds and Accounts.

“Municipality” means any county, city, municipal corporation, school district, irrigation district, sewer district, water district, highway district or other special purpose district or political subdivision of the State established by law as set forth in a Supplemental Trust Agreement.

“Municipality Independent Certified Public Accountant” means any firm of certified public accountants appointed by the Municipality, which is independent of the Municipality and the Authority

pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Operation and Maintenance Costs” means all reasonable and necessary current expenses of the Municipality, paid or accruing, for operating, maintaining and repairing the System, including legal and overhead expenses of the municipality directly related to the administration of the System, insurance premiums, audits, charges of depository banks and paying agents, professional services, salaries, administrative expenses, labor, and the cost of materials and supplies for current operation, as well as deposits to the Rate Stabilization Account, but not including depreciation, legal liabilities not based on contract, the cost of improvements to the System, charges for accumulation of reserves, or payment of Parity Debt or Subordinate Obligations.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Other Obligations” means any indebtedness for money borrowed by the Municipality that is secured by a pledge of the Revenues whether or not the pledge securing such other Obligations is prior to, or a parity with, or subordinate to the obligation to make the Repayment Installments on the Loan.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds except

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of the provisions of the Trust Agreement concerning Discharge of Bonds; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

“Parity Debt” means the Repayment Installments, any Prior Obligations, and any Parity Obligations.

“Parity Lien” means any pledge, lien, security interest, encumbrance or charge of any kind on or in all or any part of the Revenues which is equal and ratable to the lien of the Trust Agreement on or in such Revenues.

“Parity Obligations” means all obligations of a Municipality participating in the Series 2008C Bonds authorized and executed by the Municipality other than the Repayment Installments with Parity obligation payments which are secured by a pledge of the system Net Revenues on parity with the Repayment Installments as provided in the Loan Agreement.

“Parity Obligation Payments” means the payments scheduled to be paid by a Municipality participating in the Series 2008C Bonds under and pursuant to the Parity Obligations, which payments are secured by a pledge of System Net Revenues on parity with the Repayment Installments as provided in the Loan Agreement.

“Participants” means each of the Idaho municipalities having a Loan outstanding with the Authority.

“Paying Agent,” when used with reference to any Series of Bonds, means any commercial bank (including the Trustee and its affiliates) or trust company organized under the laws of any state of the

United States of America, or any national banking association, designated as paying agent for the Bonds of such Series, and its successor or successors appointed in the manner provided in the Trust Agreement.

“Payment Date” means the date on which interest, Principal Installments or Redemption Price is due on Bonds.

“Permitted Investments” means any of the following:

1. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

a. U.S. Export-Import Bank (Exim bank)

Direct obligators or fully guaranteed certificates of beneficial ownership

b. Farmers Home Administration (FmHA)

Certificates of beneficial ownership

c. Federal Financing Bank

d. Federal Housing Administration Debentures (FHA)

e. General Services Administration

Participation certificates

f. Government National Mortgage Association (GNMA or "Ginnie Mae"):

GNMA - guaranteed mortgage-backed bonds

GNMA - guaranteed pass-through obligations (participation certificates)

(not acceptable for certain cash-flow sensitive issues.)

g. U.S. Maritime Administration:

Guaranteed Title XI financing

h. U.S. Department of Housing and Urban Development (HUD):

Project Notes

Local Authority Bonds

New Communities Debentures –U.S. Government guaranteed debentures

U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

a. Federal Home Loan Bank System:

Senior debt Bonds (Consolidated debt Bonds)



- b. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac"):
  - Participation Certificates (Mortgage-backed securities)
  - Senior debt Bonds
- c. Federal National Mortgage Association (FNMA or "Fannie Mae"):
  - Mortgage-backed securities and senior debt Bonds (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal.)
- d. Student Loan Marketing Association (SLMA or "Sallie Mae"):
  - Senior debt Bonds
- e. Resolution Funding Corp: (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.
- f. Farm Credit System:
  - Consolidated systemwide bonds and notes

4. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AA-Am-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

5. Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. CD's must have a one year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short term Bonds are rated "A-1+" or better by S&P and "Prime-1" by Moody's.

The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

7. Investment Agreements, with providers rated at least Aa2.

8. Commercial paper rated "Prime - 1" by Moody's and "A-1+" or better by S&P.

9. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.

10. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1+" by S&P.

11. Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria:

a. Repurchase Agreements must be between the municipal entity and a dealer bank or securities firm:

(1) Primary dealers on the Federal Reserve repurchasing dealer list which fall under the jurisdiction of the SIPC and which are rated A or better by Standard & Poor's Ratings Group and Moody's, or

(2) Banks rated "A" or above by Standard & Poor's Ratings Group and Moody's Investor Services.

- b. The written repurchase contract must include the following:
- (1) Securities which are acceptable for transfer are:
    - (a) Direct U.S. governments
    - (b) Federal agencies backed by the full faith and credit of the U.S
  - (2) The term of the repurchase may be up to 30 days
  - (3) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
  - (4) The trustee has a perfected first priority security interest in the collateral.
  - (5) Collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a repurchase or reverse repurchase.
  - (6) Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the trustee to liquidate collateral.
  - (7) Valuation of Collateral
    - (a) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
    - (b) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repurchase plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.
    - (c) Legal opinion which must be delivered to the municipal entity: Repurchase meets guidelines under state law for legal investment of public funds.

12. Pre-refunded Municipal Obligations rated "Aaa" by Moody's and "AAA" by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed Bonds, or AAA rated pre-refunded municipals to satisfy this condition.

13. In addition to the above list of investments, any state-administered pool investment fund in which the Authority is statutorily permitted or required to invest.

"Person" means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Pre-refunded Municipal Obligations" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successor thereto; or

(2) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (a)(2) of the definition of Permitted Investments, which escrow may be applied only to the payment of such principal of and interest and

redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

“Premium Series 2008C Bonds” means Series 2008C Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date).

“Premium Series 2008D Bonds” means Series 2008D Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date).

“Principal Amount” means, as of any date of calculation, (i) with respect to any Capital Appreciation Bond, the Accreted Value thereof as of such date of calculation, and (ii) with respect to any Current Interest Bond, the stated principal amount thereof.

“Principal Installment” means, with respect to amounts due for the Bonds of any Series as of any date, (i) the Principal Amount of all Outstanding Bonds of such Series due on such date for which no Sinking Fund Installments have been established, and (ii) the Sinking Fund Installments due on such date for Outstanding Bonds of such Series.

“Principal Office” refers to the office of the Trustee noted in the provisions of the Trust Agreement concerning Notices, except that for payments on Bonds and any exchange, transfer or surrender of Bonds, the Principal Office shall be U.S. Bank National Association, 60 Livingston Avenue, Bond Drop Window, EP-MN-WS3T, St. Paul, Minnesota 55107, or such other or additional offices as the Trustee may designate from time to time.

“Principal Payment Date” means with respect to the Bonds of any Series, the principal payment date for such Series specified in the Supplemental Trust Agreement authorizing the issuance of such Series, which shall be any date on which principal of the Bonds is required to be paid (whether by reason of maturity or redemption).

“Prior Bonds” means outstanding revenue bonds of a Participant.

“Prior Obligations” means the obligations, if any, specified in Schedule 1 of the Loan Agreement.

“Projects” means the facilities financed in whole or in part or refinancing of all or a portion of Prior Obligations by the Loan.

“Purchase Price” means the principal amount of the Municipal Bonds plus accrued interest to and including the date of purchase, as set forth in Exhibit B of the Seventh Supplemental Trust Agreement.

“Rating Agencies” means, as of any date, (a) Moody’s, if Moody’s then maintains a rating on the Bonds, and (b) S&P, if S&P then maintains a rating on the Bonds.

“Rating Category” means one of the general long-term (or short-term, if so specifically provided) rating categories of either Moody’s or S&P, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

“Rebate Fund” means the fund by that name established pursuant to the provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund.

“Record Date” means with respect to the payment of interest on any Series of Bonds, the date or dates specified as such in the Supplemental Trust Agreement authorizing such Series.

“Redemption Date” means the date fixed for redemption of any Bonds.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Trust Agreement.

“Repayment Amount” means the amount specified in Schedule 1 of the Loan Agreement.

“Repayment Installment” means any amount that the Municipality is required to pay directly to the Trustee pursuant to the provisions of the Loan Agreement as a repayment of the loan made to the Municipality under the Loan Agreement, which amount is determined in accordance thereto.

“Repayment Installment Date” means the dates corresponding to the Repayment Installments, as set forth in Exhibit B of the Loan Agreement.

“Representation Letter” means the blanket letter of representation of the Authority to DTC or any similar letter to a substitute depository.

“Reserve Fund” means the reserve fund for a Loan in the amount of the Reserve Requirement and to be funded from the proceeds of the Loan unless otherwise specified.

“Reserve Requirement” means an amount not to exceed the lesser of: (i) 10 percent of the proceeds of the Loan, (ii) maximum annual principal and interest on the Loan, or (iii) 125 percent of average annual principal and interest on the Loan Obligation.

“Responsible Officer” means any officer of the Trustee assigned to administer its duties under the Trust Agreement.

“Revenue Fund” means the Fund so designated established pursuant to the provisions of the Trust Agreement concerning Funds and Accounts.

“Revenues” means (i) all amounts payable to the Authority pursuant to the Municipal Bonds, (ii) all investment earnings thereon, (iii) moneys received by the Authority pursuant to Section 67-8727, Idaho Code, (iv) any State Sales Tax Revenues, and (v) all other moneys received by the Authority and designated by the Authority as available to make payments on the Bonds. The designation by the Authority of any moneys as available to make payments on the Bonds shall specify in which fund, account or subaccount the moneys shall be deposited.

“Sales Tax Secured Debt” means the Bonds, any Additional Bonds, Funded Debt, bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys but not including tax anticipation notes issued by the State of Idaho pursuant to Section 63-3202, Idaho Code.

“Securities Depositories” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, NY 11530, Fax: (516) 227-4039 or -4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, IL 60605, Fax: (312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, PA 19103, Attention: Bond Department, Fax: (215) 496-5058; or such other addresses and/or such other securities depositories as the Authority may designate to the Trustee.

“Serial Bonds” means Bonds for which no sinking fund payments are provided.

“Series,” whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Trust Agreement.

“Series 2008C Bonds” means the Idaho Bond Bank Authority Revenue Bonds, Series 2008C, dated November 12, 2008, authorized by, and at any time Outstanding pursuant to the Trust Agreement.

“Series 2008D Bonds” means the Idaho Bond Bank Authority Revenue Bonds, Series 2008D, dated November 12, 2008, authorized by, and at any time Outstanding pursuant to the Trust Agreement.

“Series 2008C Costs of Issuance Accounts” means the Accounts so established by the provisions of the Seventh Supplemental Trust Agreement concerning the Procedure for the Issuance of Series 2008C Bonds.

“Series 2008D Costs of Issuance Accounts” means the Accounts so established by the provisions of the Seventh Supplemental Trust Agreement concerning the Procedure for the Issuance of Series 2008D Bonds.

“Series 2008C Principal Payment Date” means with respect to the Series 2008C Bonds, each September 15, commencing September 15, 2009.

“Series 2008D Principal Payment Date” means with respect to the Series 2008D Bonds, each September 15, commencing September 15, 2009.

“Series 2008C Record Date” means with respect to the Series 2008C Bonds, the first day of the calendar month in which each Interest Payment Date occurs.

“Series 2008D Record Date” means with respect to the Series 2008D Bonds, the first day of the calendar month in which each Interest Payment Date occurs.

“Sinking Fund Installment” means an amount so designated which is established pursuant to the provisions of the Trust Agreement concerning the General Provisions for Issuance of Additional Bonds with respect to any Series of Bonds other than the Series 2004A Bonds, which shall be as provided in a Supplemental Trust Agreement.

“Seventh Supplemental Trust Agreement” means the Supplemental Trust Agreement between the Authority and the Trustee for the Series 2008C Bonds and Series 2008D Bonds.

“S&P” means Standard & Poor’s Ratings Group, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“State” means the State of Idaho.

“State Intercept” means moneys intercepted by the Authority from monies due to certain Participants from the State pursuant to Section 67-8727, Idaho Code.

“State Sales Tax Act” means Idaho Code, Title 63, Chapter 36, as amended.

“State Sales Tax Moneys” means the moneys collected by the State pursuant to the State Sales Tax Act.

“State Sales Tax Revenues” or “Sales Tax Revenues” means the moneys transferred to the Authority from State sales taxes as provided in Section 63-3638 of the State Sales Tax Act and Section 67-8716 of the Act.

“State Shared Revenues” means sales tax revenue is distributed through a revenue sharing account held by the State Treasury to cities, counties and special districts pursuant to Idaho Code 63-3638 (9).

“Subordinate Obligations” means the obligations of the Municipality that are subordinate in payment to the Repayment Installments.

“Subordinated Indebtedness” means any bond, note or other evidence of indebtedness, which is expressly made subordinate and junior in right of payment to the Bonds and which complies with the provisions of the Trust Agreement concerning Subordinates Indebtedness. Any such Subordinated Indebtedness shall not be nor be deemed to be Bonds for purposes of the Trust Agreement.

“Subordinated Indebtedness Fund” means the Fund so designated established pursuant to the provisions of the Trust Agreement concerning Subordinates Indebtedness.

“Subordinated Indebtedness Trust Agreement” means the resolution, indenture, trust agreement or other instrument authorizing the issuance of any Subordinated Indebtedness.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory thereof or supplemental thereto; but only if and to the extent that such Supplemental Trust Agreement is executed and delivered pursuant to the provisions of the Trust Agreement.

“Surplus Fund” means the Fund so designated established pursuant to the provisions of the Trust Agreement concerning Funds and Accounts.

“System” means all of the Municipality’s sewer, water or solid waste system as the case may be, and its related facilities and properties now owned or thereafter acquired, whether situated within or without Municipality boundaries.

“System Net Revenues” means the remaining revenues of the System after deducting Operation and Maintenance Expenses.

“System Revenues” means all gross income and revenue received or receivable by the Municipality from the ownership or operation of the System, determined in accordance with Generally Accepted Accounting Principles, including all fees, rates, charges and all amounts paid under any contracts received by or owed to the Municipality in connection with the operation of the System and all proceeds of insurance relating to the System and investment income allocable to the System and all other income and revenue howsoever derived by the Municipality from the ownership or operation of the System or arising from the System.

“Tax Certificate” means the Tax Certificate delivered by the Authority at the time of the issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trust Agreement” means the Master Trust Agreement as originally executed and supplemented by the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, Fourth Supplemental Trust Agreement, Fifth Supplemental Trust

Agreement, Sixth Supplemental Trust Agreement and the Seventh Supplemental Trust Agreement and as it may from time to time be further amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions thereof.

“Trust Estate” means, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement: (i) the Revenues and (ii) all amounts on deposit in the funds and accounts held and maintained pursuant to the Trust Agreement including the investments, if any, thereof.

“Trustee” mean U.S. Bank National Association, or any other association or corporation which may at any time be substituted in its place as provided in provisions of the Trust Agreement concerning the Trustee.

“Trustee for the Municipal Bond” mean U.S. Bank National Association as trustee for the Municipal Bond of the Series 2008C and Series 2008D Participant or any other association or corporation that may be substituted in its place as provided under the indenture for the Municipal Bond of the Series 2008C and Series 2008D Participant.

“2008C Participant” means the City of Buhl, Idaho and the City of Kendrick, Idaho, as shown on the inside cover page of this Official Statement.

“2008D Participant” means the City of Driggs, Idaho as show on the inside cover page of this Official Statement.

“Written Request of the Authority” means an instrument in writing signed by or on behalf of the Authority by its Secretary, Treasurer or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

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# **Appendix B**

## **Form of Tax Counsel to the Authority Opinion**

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## FORM OF OPINION OF TAX COUNSEL TO THE AUTHORITY

November 12, 2008

Idaho Bond Bank Authority,  
Boise, Idaho

\$23,360,000 Idaho Bond Bank Authority Revenue Bonds, Series 2008C and  
\$365,000 Idaho Bond Bank Authority Revenue Bonds, Series 2008D  
(Special Tax Opinion)

Ladies and Gentlemen:

We have acted as special tax counsel in connection with the issuance by the Idaho Bond Bank Authority (the "Authority") of \$23,360,000 aggregate principal amount of its Revenue Bonds, Series 2008C and \$365,000 aggregate principal amount of its Revenue Bonds, Series 2008D (collectively, the "Bonds"). The Bonds are being issued pursuant to a Master Trust Agreement, dated as of December 1, 2004, as supplemented by a First Supplemental Trust Agreement, dated as of December 1, 2004, a Second Supplemental Trust Agreement, dated as of May 1, 2006, a Third Supplemental Trust Agreement, dated as of November 30, 2006, a Fourth Supplemental Trust Agreement, dated as of November 1, 2007, a Fifth Supplemental Trust Agreement, dated as of April 1, 2008, a Sixth Supplemental Trust Agreement, dated as of May 1, 2008, and a Seventh Supplemental Trust Agreement, dated as of November 1, 2008 (collectively, the "Trust Agreement"), between the Authority and U.S. Bank National Association, as trustee. The Bonds are issued for the purpose of making loans of the proceeds thereof to certain municipalities identified in the Trust Agreement (the "Municipalities") pursuant to loan agreements (the "Loan Agreements"), dated as of November 1, 2008, between the Authority and each of the Municipalities. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the form of Loan Agreement, the Tax Certificate, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Trustee and the Authority, certificates of the Authority, the Trustee, the Municipalities and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. In particular, we have relied on the opinion of Skinner Fawcett, bond counsel to the Authority (the "Bond Counsel Opinion"), regarding, among other matters, the validity of the Bonds and the opinions of Moore Smith Buxton & Turcke, Chartered, special counsel to the Authority (the "Special Counsel Opinions"), regarding, among other matters, the validity of each Loan Agreement and the exclusion of interest on each Loan Agreement from gross income for federal income tax purposes. In rendering the opinion expressed herein, we expressly have relied on (i) the Bond Counsel Opinion that, among other matters, the Bonds are valid, binding and enforceable in accordance with their terms and (ii) the Special Counsel Opinions that, among other matters, the interest on each Loan Agreement is excluded from gross income for federal income tax purposes. We call attention to the fact that the interest on the Bonds may not be excluded from gross income for federal income tax purposes or exempt from State of Idaho personal income taxes if the Bonds are not valid, binding and enforceable in accordance with their terms.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution thereof by, and validity against, all parties. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Loan Agreements and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Loan Agreements and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of Idaho. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the Trust Agreement or the Loan Agreements, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of Idaho personal income taxes. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of such interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

# **Appendix C**

## **Book-Entry Only System**

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**SAMPLE OFFERING DOCUMENT LANGUAGE  
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may apply only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
  
2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).
  
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
  
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC[nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

[1/08]



# **Appendix D**

## **Form of Continuing Disclosure Agreement**

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## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Idaho Bond Bank Authority (the "Issuer") and U.S. Bank National Association, Corporate Trust Department (the "Dissemination Agent") in connection with the aggregate issuance of the \$23,725,000 Revenue Bonds, Series 2008C and series 2008D Bonds (collectively, the "Bonds"). The Bonds are being issued pursuant to a Master Trust Agreement dated as of December 1, 2004 (the "Master Trust Agreement"), and a Seventh Supplemental Trust Agreement dated as of November 1, 2008 between the Issuer and U.S. Bank National Association as trustee (collectively with the Master Trust Agreement, the "Trust Agreement"). Under the Loan Agreements for the Bonds, annual reports are required to be furnished by a Municipality to the Dissemination Agent for dissemination as provided therein. The Issuer hereby covenants and agrees with the Dissemination Agent as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

**SECTION 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of any Bonds (including persons holding the Bonds through nominees, depositories or other intermediaries).

"Bonds" means the Issuer's Revenue Bonds, Series 2008C and Series 2008D.

"Disclosure Representative" shall mean the Executive Director of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean U.S. Bank National Association, Corporate Trust Department, which also acts as Trustee ("Trustee") for the Bonds, or any successor Dissemination Agent designated in writing by the Issuer and which has filed a written acceptance of such designation with U.S. Bank National Association, acting in its capacity as Trustee.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository or DisclosureUSA for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"Official Statement" means the Official Statement for the Bonds dated October 27, 2008.

"Owner" shall mean the registered owner or holder of the Bonds as designated in the registration books and records of the Issuer kept and maintained by the Bond Registrar.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the National Repository and the State Repository, if any.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity then designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. Currently there is no such repository so designated for the State of Idaho.

“Trustee” initially means U.S. Bank National Association, as Trustee for the Bonds.

### **SECTION 3. Provision of Annual Reports.**

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than six months after the end of the Issuer’s Fiscal Year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2009, provide to each Repository, if any, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Provision may be made through the Disclosure USA filing procedures of the Securities and Exchange Commission. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee for the Bonds. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is unable to provide the Annual Report in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent has not received the Annual Report by the date specified in Section 3(b) or is unable to verify that an Annual Report has been provided to the Repository (if any then exists) by the date required in subsection (a) the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form as Exhibit “A” attached.

(d) The Dissemination Agent (currently the Trustee) shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Municipal Securities Rulemaking Board and any Repository and file the Annual report as provided in Section 3(a); and

(ii) file a report with the Issuer and the Trustee (in the event the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided or confirming filing through Disclosure USA; and

(iii) file the annual report, notices of material listed events and other information received from the Municipality pursuant to Section 5.9 of the Loan Agreement and perform all obligations set forth for the Trustee and/or dissemination agent under said Section 5.9. The Trustee shall continue to perform all of the obligations of the dissemination agent and Trustee under Section 5.9 of the Loan Agreement regardless of whether the Trustee continues as Dissemination Agent under this Disclosure Agreement.

(e) Any filing under this Disclosure Agreement may be made solely by transmitting such filing to DisclosureUSA as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the Texas Municipal Advisory Council dated September 7, 2006.

**SECTION 4. Content of Annual Reports.** The Issuer's Annual Report shall contain or include by reference the following:

1. The financial statements for the Issuer for the most recently ended Fiscal Year, commencing with the Fiscal Year ended June 30, 2009. Such financial statements will be prepared, in substantial conformance with generally accepted accounting principles applicable to governmental entities in the form required by the State of Idaho. The Issuer will also provide annual information for the State sales tax account as set forth in the tables under the heading "Security for the Bonds -- State Sales Tax Account" of the Official Statement.
2. The balance then remaining as of the end of the most recent Fiscal Year of the Issuer for the Surplus Fund and the Revenue Fund.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. modifications to rights of Bond Owners.
4. optional, contingent or unscheduled bond calls.
5. defeasances.
6. rating changes.
7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds.
8. unscheduled draws on debt service reserves reflecting financial difficulties.
9. unscheduled draws on credit enhancements reflecting financial difficulties.
10. substitution of credit or liquidity providers, or their failure to perform.
11. release, substitution, or sale of property securing repayment of the Bonds.

(b) The Dissemination Agent shall, within 1 Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of

the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b) the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and any National Repository and State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of Bonds pursuant to the Trust Agreement.

**SECTION 6. Termination of Reporting Obligation.** The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

**SECTION 7. Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If the Issuer is not the Dissemination Agent, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Trustee.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment reasonably requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent

of Owners, or (ii) does not, in the opinion of the Dissemination Agent or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Trustee for the Bonds may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 12. Notices.** Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:	Idaho Bond Bank Authority Office of the State Treasurer 304 N. 8th Street, Room 208 P.O. Box 83720 Boise, Idaho 83720 Attn: Executive Director (208) 332-2997 FAX (208) 332-2961
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To the Trustee/  
Dissemination Agent:

U.S. Bank National Association  
Corporate Trust Assurance Department  
170 South Main Street, Suite 200  
Salt Lake City, UT 84101  
Telephone: (801) 534-6083  
Fax: (801) 534-6013

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

**SECTION 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**SECTION 14. Fees.** The Dissemination Agent shall be paid \$750.00 per year for its services as Dissemination Agent under the Disclosure Agreement and \$750.00 per year for its services under Section 5.9 of the Loan Agreement.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: \_\_\_\_\_, 2008.

**IDAHO BOND BANK AUTHORITY,**  
as Issuer

By \_\_\_\_\_  
Authorized Representative

**U.S. BANK NATIONAL ASSOCIATION,**  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer



EXHIBIT "A"

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Idaho Bond Bank Authority

Name of Bond Issue: Revenue Bonds, Series 2008C and Series 2008D

Date of Issuance: \_\_\_\_\_, 2008

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Master Trust Agreement dated as of December 1, 2004 and the Seventh Supplemental Trust Agreement dated as of November 1, 2008. [The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

U.S. Bank National Association  
as Dissemination Agent  
On behalf of the Issuer

c: Issuer

## EXHIBIT "B"

An updated list of Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission may be found at the following internet address:  
<http://www.sec.gov/info/municipal/nrmsir.htm>.

**Appendix E**  
**Summary of Certain Provisions of the Trust Agreement and  
the Form of Loan Agreement**

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**APPENDIX E**  
**SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND**  
**THE FORM OF LOAN AGREEMENT**

The following summary discussion of selected features of the Master Trust Agreement, the Seventh Supplemental Trust Agreement (together, with the First, Second, Third, Fourth, Fifth, and Sixth Supplemental Agreements, the “Trust Agreement”) and the form of Loan Agreement are made subject to all of the provisions of such documents and to the discussion of such documents contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Bonds are referred to the complete text of the Trust Agreement and the Municipality Loan Agreement, copies of which are available upon request from U.S. Bank National Association, Corporate Trust Services, 170 South Main Street, Suite 200, Salt Lake City, Utah 84101. Definitions of certain terms are provided in Appendix A of this Official Statement.

**SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT**

**Issuance of Bonds**

General Provisions for Issuance of Additional Bonds

All (but not less than all) of the Bonds of each Series shall be executed by the Authority for issuance under the Trust Agreement and delivered to the Trustee and thereupon shall be authenticated by the Trustee and be delivered to the Authority or upon its order, but with the exception of the 2004A Bonds, only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

- (a) An executed copy of the Trust Agreement as originally executed and certified to be in full force and effect;
- (b) An opinion of Bond Counsel to the effect that (i) the Trust Agreement constitutes the valid obligation of the Authority; and (ii) the Bonds of such Series constitute the valid and binding special, limited obligations of the Authority, payable solely from the Trust Estate and any other additional source of funds not included in the Trust Estate if so provided in the Trust Agreement or any Supplemental Trust Agreement;
- (c) A written order of the Authority as to the delivery of such Bonds;
- (d) An executed copy of the Supplemental Trust Agreement authorizing such Bonds, which shall, among other provisions, specify:
  - (ii) the authorized Principal Amount of the Current Interest Bonds of such Series and the aggregate Initial Amounts for the Capital Appreciation Bonds of each maturity for such Series, and the Series designation of such Bonds;
  - (iii) the purpose or purposes for which such Series of Bonds is being issued, which shall be (1) to provide moneys needed to purchase Municipal Bonds, by depositing into the Municipal Bond Purchase Fund the proceeds of such Series to be so applied, (2) to refund all or part of the Bonds of any one or more Series then Outstanding pursuant to the provisions of the Trust Agreement concerning Refunding Bonds, or (3) to provide moneys needed to refund all or part of any other Funded Debt, by depositing with the Trustee funds in the necessary amount to pay or otherwise discharge all liability of Authority with respect to such Funded Debt in accordance with the terms thereof;
  - (iv) the date, and the maturity date or dates, of the Bonds of such Series;

(v) the interest rate or rates on the Current Interest Bonds of such Series, and the Interest Payment Dates therefor;

(vi) the dates of compounding interest on the Capital Appreciation Bonds of such Series, together with an Accreted Value Table for such Capital Appreciation Bonds indicating the Initial Amount for the smallest Authorized Denomination for such Capital Appreciation Bonds, the Accreted Value thereof on each date for compounding interest, and the Final Compounded Amount thereof (which Accreted Value Table shall establish the Accreted Value of such Capital Appreciation Bonds for each of the dates indicated in such Accreted Value Table for all purposes of the Trust Agreement, including the payment of such Capital Appreciation Bonds and the Accreted Value thereof on each compounding date for purposes of determining the Accreted Value thereof between such compounding dates, and the Accreted Value of such Capital Appreciation Bonds for any date not indicated on such Accreted Value Table shall be determined by computing and compounding interest in accordance with the Supplemental Trust Agreement authorizing such Capital Appreciation Bonds);

(vii) Authorized Denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

(viii) the Redemption Price or Prices, if any, and the redemption terms for the Bonds of such Series;

(ix) the Sinking Fund Installments, if any, for the Bonds of such Series, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for such Bonds;

(x) whether the Bonds of such Series are to be registered in the name of a Securities Depository, or its nominee, and any provisions appropriate or necessary with respect to the arrangements made with the Securities Depository for such Bonds in the applicable Representation Letter;

(xi) the application of the proceeds of the sale of such Bonds including the amount, if any, to be deposited in the Funds and Accounts; and

(xii) the forms of the Bonds of such Series and of the Trustee’s certificate of authentication thereon;

(e) A certificate of an Authorized Representative stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement and applicable to the Authority; provided, however, that in the case of Refunding Bonds such certificate may state that upon the application of the proceeds of such Refunding Bonds in accordance with the Supplemental Trust Agreement authorizing their issuance, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement and applicable to the Authority;

(f) A Certificate of the Authority stating that the amount of State Sales Tax Moneys collected by the State during the most recent Fiscal Year for which audited financial statements are available is at least equal to 300 percent of the Aggregate Debt Service for the Sales Tax Secured Debt (including the Additional Bonds) for the Fiscal Year next succeeding the Fiscal Year in which Additional Bonds are issued; and

(g) With respect to any Series of Refunding Bonds and in lieu of satisfying the requirements of clause (f), a certificate of an Authorized Representative to the effect that the principal and interest payable on all Outstanding Bonds in each Fiscal Year after the issuance of such Refunding Bonds, and

the application of the proceeds thereof to the refunding of Bonds, shall not be greater than the principal and interest payable on all Outstanding Bonds immediately prior to the issuance of such Refunding Bonds.

(h) In the case of a Series of Bonds issued for the purposes described in the provisions of the Trust Agreement concerning Issuance of Bonds, written evidence that all actions and conditions required precedent to the discharge of the Funded Debt to be refunded have been taken or exist in accordance with the terms of such Funded Debt.

#### Refunding Bonds

One or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance to refund all Outstanding Bonds of one or more Series or all or any Outstanding Bonds within a Series. Refunding Bonds shall be issued in a Principal Amount sufficient, together with other moneys available therefor, to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds and the making of any deposits into the Funds and Accounts required by the provisions of the Supplemental Trust Agreement authorizing such Series of Refunding Bonds.

Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the provisions of the Trust Agreement concerning General Provisions for Issuance of Additional Bonds) of the following items (upon which receipt the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied):

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption, on a redemption date or dates specified in such instructions, of any of the refunded Bonds to be redeemed prior to maturity;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to give the notice provided for in the provisions of the Trust Agreement concerning Discharge of Bonds to the Owners of the Bonds being refunded, if applicable; and

(c) Either (i) sufficient moneys, or (ii) Government Securities in such principal amounts, of such maturities, bearing interest at such rate or rates, and otherwise having such terms and qualifications so that the principal, interest and other payments to be made thereunder shall provide sufficient moneys, or (iii) a combination of (i) and (ii) shall provide sufficient moneys, in each case, as evidenced by a Certificate of an Independent Certified Public Account, to effect payment at the applicable Redemption Price of the refunded Bonds to be redeemed, the purchase price of refunded Bonds tendered for purchase, and of the Principal Amount of refunded Bonds not to be redeemed or purchased, together with accrued interest on such Current Interest Bonds to the redemption, purchase, or maturity date or dates, as the case may be, which moneys and Government Securities shall be held by the Trustee in a separate account irrevocably in trust for the respective Owners of the Bonds to be refunded.

#### Subordinated Indebtedness

The Authority may, at any time or from time to time, issue Subordinated Indebtedness for any purpose of the Authority, subject to the terms and conditions of this section of the Trust Agreement. Such Subordinated Indebtedness may be payable out of and may be secured by a pledge of Revenues and such amounts in the Subordinated Indebtedness Fund as may from time to time be available therefor, provided that any such payment and pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of the Bonds and the payments required to be made before the payments into the Subordinated Indebtedness Fund pursuant to the provisions of the Trust agreement concerning Subordinated Indebtedness Fund and to the lien of the pledge made pursuant to this Trust Agreement as security for the Bonds, and provided further that, except in the case of Subordinated Indebtedness the proceeds of which will be used to refund or pay Outstanding Bonds or Subordinated Indebtedness, no such Subordinated Indebtedness may be so issued except upon receipt by the Trustee of a certificate of an Authorized Representative stating that the Authority is not, and will not as the result of the issuance of such Subordinated Indebtedness be, in default in

the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement.

The Subordinated Indebtedness Trust Agreement authorizing each issue of Subordinated Indebtedness shall contain provisions (which shall be binding on all holders of such Subordinated Indebtedness) not more favorable to the holders of such Subordinated Indebtedness than the following:

(a) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Authority or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Authority, whether or not involving insolvency or bankruptcy, the Owners of all Bonds then Outstanding shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest due on such Bonds in accordance with the provisions of the Trust Agreement before the holders of the Subordinated Indebtedness are entitled to receive any payment from the Subordinated Indebtedness Fund on account of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(b) In the event that any issue of Subordinated Indebtedness is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (i) above shall not be applicable), the Owners of all Bonds Outstanding at the time such Subordinated Indebtedness so becomes due and payable because of the occurrence of such an event of default shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest on all such Bonds before the holders of the Subordinated Indebtedness are entitled to receive any accelerated payment from the Subordinated Indebtedness Fund of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(c) If any Event of Default with respect to the Bonds shall have occurred and be continuing (under circumstances when the provisions of (a) above shall not be applicable), the Owners of all Bonds then Outstanding shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest on all such Bonds as the same become due and payable before the holders of the Subordinated Indebtedness are entitled to receive, subject to the provisions of (e) below, any payment from the Subordinated Indebtedness Fund of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(d) Neither the Trustee nor any Owner shall be prejudiced in its right to enforce the subordination of the payment of Subordinated Indebtedness from the moneys in the Subordinated Indebtedness Fund by any act or failure to act on the part of the Authority.

(e) The Subordinated Indebtedness may provide that provisions (a), (b), (c) and (d) above are solely for the purpose of defining the relative rights of the Owners of the Bonds on the one hand, and the rights of the holders of Subordinated Indebtedness on the other hand, and that nothing therein shall impair, as between the Authority and the holders of the Subordinated Indebtedness, the obligation of the Authority to pay the holders thereof the principal thereof and premium, if any, and interest thereon in accordance with the terms of such Subordinated Indebtedness, nor shall anything therein prevent the holders of the Subordinated Indebtedness from exercising all remedies otherwise permitted by applicable law or under the Subordinated Indebtedness or the applicable Subordinated Indebtedness Trust Agreement upon default thereunder, subject to the rights under (a), (b), (c) and (d) above of the Owners of the Bonds to receive cash or securities from the Subordinated Indebtedness Fund otherwise payable or deliverable to the holders of the Subordinated Indebtedness; and the Subordinated Indebtedness may provide that, insofar as a trustee or paying agent for such Subordinated Indebtedness is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Indebtedness if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

Any issue of Subordinated Indebtedness may have such rank or priority with respect to any other issue of Subordinated Indebtedness as may be provided in the Subordinated Indebtedness Trust Agreement securing such issue of Subordinated Indebtedness and may contain such other provisions as are not in conflict with the provisions of the Trust Agreement.

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Subordinated Indebtedness and shall not be liable to such holders if it shall mistakenly pay over or transfer to Owners of Bonds, the Authority, or any other person, moneys to which any holder of Subordinated Indebtedness shall be entitled by virtue of this section of the Trust Agreement or otherwise, provided, however, that the Trustee shall not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct. The Trustee shall not be deemed to have knowledge of the terms and conditions of any Subordinated Indebtedness Trust Agreement and may conclusively rely on written directions and requests signed by an Authorized Representative in making any deposit to or transfer from the Subordinated Indebtedness Fund. Notwithstanding any of the provisions of this section of the Trust Agreement or any other provision of the Trust Agreement, the Trustee shall not at any time be charged with the knowledge of the existence of any facts which would prohibit the making of any payment of moneys in respect of Subordinated Indebtedness or any default in the payment of the principal, premium, if any, or interest on any Subordinated Indebtedness, unless and until the Trustee shall have received written notice thereof at its principal corporate trust office from the Authority, or, so long as any Bonds remain Outstanding, from the holders of at least ten percent (10%) in principal amount of any class or category of any Subordinated Indebtedness or any trustee therefor.

#### **Redemption of Bonds**

##### Terms of Redemption

Each Series of Bonds may be made subject to mandatory or optional redemption prior to their respective stated maturities, as a whole or in part, at such time or times, upon such terms and conditions and upon such notice and with such effect as may be provided in the Supplemental Trust Agreement creating such Series of Bonds.

##### Selection of Bonds for Redemption

If less than all Outstanding Bonds of the same Series maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Bonds of such maturity date to be redeemed by lot and shall promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption. For purposes of such selection, Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption.

##### Notice of Redemption; Cancellation; Effect of Redemption

Unless otherwise specified in a Supplemental Trust Agreement, notice of redemption shall be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Bond Owners of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by registered mail or overnight delivery or facsimile transmission or by such other method acceptable to such institutions. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the Series, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become

due and payable on each of said Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice shall not invalidate any of the proceedings taken in connection with such redemption.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

If notice of redemption has been duly given as aforesaid or as otherwise specified in a Supplemental Trust Agreement, and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Bonds shall cease to accrue, and the Bond Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of the Trust Agreement concerning Redemption of Bonds shall be cancelled by the Trustee and shall be destroyed with a certificate of destruction furnished to the Authority upon its request and shall not be reissued.

#### **Establishment of Funds and Application Thereof**

##### Funds and Accounts

The following Funds and Accounts are established under the Trust Agreement: Municipal Bond Purchase Fund, held by the Trustee, Costs of Issuance Fund, held by the Trustee, Revenue Fund including the Principal Account and Interest Account, held by the Trustee, Subordinated Indebtedness Fund, held by the Trustee, and Surplus Fund, held by the Authority.

##### Application of Revenues; Flow of Funds

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund created pursuant to the provision of the Trust Agreement concerning Tax Covenants and Rebate Fund) are thereby irrevocably pledged to the payment of the interest on and principal of the Bonds as provided therein, and the Revenues and other amounts pledged under the Trust Agreement shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted thereunder. This pledge shall constitute a pledge of and charge and lien upon the Revenues, which pledge of and charge and lien upon the Revenues is on a parity with any pledge of and charge and lien of Funded Debt, and all other moneys on deposit in the funds and accounts established thereunder (excluding amounts on deposit in the Rebate Fund created pursuant to the provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund) for the payment of the interest on and principal of the Bonds in accordance with the terms thereof and of the Trust Agreement. The pledge of and charge and lien upon State Sales Tax Revenues, however, shall be subordinate to the bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys and tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code.

The Authority thereby assigns to the Trustee all of the Authority's right, title and interest in the Municipal Bonds as security for payment of the Bonds. All payments on the Municipal Bonds shall be paid directly by each Municipality to the Trustee. Moneys received by the Trustee attributable to a Municipality shall not be used in any manner (directly or indirectly) to make up any deficiency in repayment of any other Municipality's Municipal Bond.

In order to carry out and effectuate the pledge, charge and lien contained in the Trust Agreement, the Authority agrees and covenants that all Revenues and all other amounts pledged thereunder when and as received shall be received by the Authority in trust thereunder for the benefit of the Bond Owners and shall be transferred when and as received by the Authority to the Trustee for deposit in the Revenue Fund, which fund is thereby created and which fund the Authority thereby agrees and covenants to maintain in trust for Bond Owners so long as any Bonds shall be Outstanding thereunder, subject to allocation required in the next sentence. The Authority shall also, from Revenues, pay to the party entitled thereto or transfer or cause to be transferred to any applicable debt service or other payment fund or account for any Funded Debt, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, on the dates specified in the issuing instrument relating to such Funded Debt, the sum or sums required to be paid or deposited in such debt service or other payment fund or account with respect to principal, premium, if any, and interest on Funded Debt in accordance with the terms of such Funded Debt.

Subject to the provisions of the Trust Agreement concerning Subordinated Indebtedness Fund, all Revenues and all other amounts pledged thereunder shall be accounted for through and held in trust in the Revenue Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as therein provided. All Revenues and all other amounts pledged under the Trust Agreement, whether received by the Authority in trust or deposited with the Trustee as therein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses thereafter in the provisions of the Trust Agreement concerning Establishment of Funds and Application thereof set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Within the Revenue Fund there shall be established separate, segregated accounts for each Series of Bonds.

#### Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund

All money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund (each of which is thereby created and each of which the Authority thereby covenants and agrees to cause to be maintained) in the following order of priority:

- (1) Interest Account, and
- (2) Principal Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the provisions of the Trust Agreement concerning the Establishment of Funds and Application thereof.

Interest Account. At least fifteen (15) days before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money sufficient to pay the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. At least fifteen (15) days before each Principal Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such Principal Payment Date, into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such Principal Payment Date.

No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Bonds is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each maturity, designated as the "Sinking Account" (the "Sinking Account"), inserting therein the maturity (if more than one such account is established for the Bonds) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the maturity for which such Sinking Account was established, upon the notice and in the manner provided in the provisions of the Trust Agreement concerning Redemption of Bonds; provided that, at any time prior to selection of Bonds for redemption, the Trustee may, upon the Written Request of the Authority, apply moneys in such Sinking Account to the purchase of Term Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the Authority, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such mandatory sinking account payment. If, during the twelve (12) month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it shall become due and payable, whether at maturity or redemption, except that any money in any Sinking Account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

The Trustee shall withdraw from the Revenue Fund and deposit in the Subordinated Indebtedness Fund the amount, if any, required to be deposited therein pursuant to each Subordinated Indebtedness Trust Agreement to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness which will accrue to the end of such month, and any amounts required to replenish any reserve fund with respect to such Subordinated Indebtedness, in such amounts as shall be specified in a written request signed by an Authorized Representative.

On June 30 of each year, after making the deposits to the Principal Account and the Subordinate Indebtedness Fund as required by this section of the Trust Agreement, the Trustee may withdraw from the Revenue Fund and deposit in the Surplus Fund the balance, if any, of moneys remaining in the Revenue Fund.

#### Subordinated Indebtedness Fund

Amounts in the Subordinated Indebtedness Fund shall, in accordance with written directions signed by an Authorized Representative, be transferred by the Trustee to the trustee or paying agent for Subordinated Indebtedness to be applied as provided in the applicable Subordinated Indebtedness Trust Agreement in amounts necessary to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness, and the fees and expenses of each trustee and paying agent under a Subordinated Indebtedness Trust Agreement. The Trustee may conclusively rely on such written directions of an Authorized Representative in making such transfer and shall not be charged with knowledge of the terms and conditions of any Subordinated Indebtedness.

If on any date the amount in the Revenue Fund shall be less than the requirement of such Revenue Fund pursuant to the provisions of the Trust Agreement concerning the Establishment of Funds and Application thereof, and there shall not be on deposit in the Surplus Fund available moneys sufficient to cure



any such deficiency, then the Trustee, before making any transfers required by the first paragraph of this section of the Trust Agreement, shall withdraw from the Subordinated Indebtedness Fund and deposit in the Revenue Fund the amount necessary (or all the moneys in the Subordinated Indebtedness Fund, if less than the amount required) to make up any such deficiency.

#### Surplus Fund

If on any date the amount in the Revenue Fund shall be less than the requirement of such Fund pursuant to the provisions of the Trust Agreement concerning the Establishment and Maintenance of Accounts for Use of Money in Revenue Fund, or the amount in the Subordinated Indebtedness Fund shall be less than the requirement of such Fund pursuant to the provisions of the Trust Agreement concerning Subordinated Indebtedness Fund, then the Authority shall transfer to the Trustee from the Surplus Fund; first to the Revenue Fund, second to the Subordinated Indebtedness Fund, and third to the Rebate Fund, as the case may be, the amount necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any such deficiency.

Amounts in the Surplus Fund not required to meet a deficiency as required in the first paragraph of this section of the Trust Agreement shall, upon a determination of the Authority, be applied to or set aside for any one or more of the following:

- (a) to reimburse the State for any State Sales Tax Revenues;
- (b) payment of any fees or expenses of the Authority;
- (c) the purchase or redemption of any Bonds, expenses in connection with the purchase or redemption of any Bonds, or the establishment or augmentation of any reserves which the Authority determines shall be required in connection with the Bonds;
- (d) payment into the Subordinated Indebtedness Fund;
- (e) the purchase or redemption of any Subordinated Indebtedness, expenses in connection with the purchase or redemption of any Subordinated Indebtedness, or the establishment or augmentation of any reserves which the Authority determines shall be required in connection with any Subordinated Indebtedness; and
- (f) any lawful purpose free and clear of any trust, lien, pledge or assignment securing Bonds or otherwise existing under the Trust Agreement, including any use required by a financing document establishing a Parity Lien, so long as such expenditure does not affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code.

#### Additional Accounts

The Trustee and the Paying Agent may create such other funds, accounts and subaccounts as they may deem necessary to carry out their duties under the Trust Agreement.

#### **State Intercept Procedures; Sales Tax Account Pledge**

##### State Intercept Procedures

If, as a result of the failure of a Municipality to make payment on its Municipal Bonds in a timely manner, there are not sufficient funds available necessary to pay debt service on the Bonds, at least ten (10) days before the Payment Date of the Bonds, the Trustee shall notify the Authority and the State Treasurer by: (i) Telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail.

Except for Bonds issued prior to July 1, 2008, where the Authority has, at the time of issuance, designated all or a portion of a series of the Bonds for one or more Municipalities as not subject to the intercept under Section 67-8728, Idaho Code, upon receipt of the notice provided in the first paragraph above, the State Treasurer is required by Section 67-8727(1)(e) of the Act to immediately intercept any payments from:

(i) the receipts of any payment of property taxes; or (ii) sales tax moneys that would be distributed pursuant to Section 63-3638, Idaho Code; (iii) liquor revenues that would be distributed pursuant to Section 23-404, Idaho Code; or (iv) any other source of operating moneys provided by the State to the Municipality that issued the Municipal Bonds that would otherwise be paid to the Municipality by the State.

Except for Bonds issued prior to July 1, 2008, where the Authority has, at the time of issuance, designated all or a portion of a series of Bonds for one or more Municipalities as not subject to the intercept under Section 67-8728, Idaho Code, or if the State Treasurer will be unable to transfer sufficient intercepted payments for full payment of principal of and interest on the Bonds, the State Treasurer is required, pursuant to Section 67-8727(1)(e)(iii)(A) of the Act, to give notice to the State Tax Commission certifying the amount of the deficiency, at least five (5) days prior to the Payment Date of the Bonds.

Upon receipt of the funds, if any, from the State Treasurer pursuant to the second paragraph above, the Trustee shall deposit the funds in the Revenue Fund for the Bonds until there are sufficient amounts on deposit to pay principal of and interest on the Bonds on the Payment Date, and then to the State for reimbursement of any moneys transferred from the State sales tax account pursuant to Section 67-8716, Idaho Code, to pay debt service on the Bonds on the Payment Date, together with any interest or penalties established pursuant to Section 67-8725, Idaho Code.

#### Sales Tax Account

If the Authority has, at the time of issuance prior to July 1, 2008, designated all or a portion of a series of Bonds for one or more Municipalities as not subject to the intercept under Section 67-8728, Idaho Code, or if moneys expected to be intercepted pursuant to the provisions of the Trust Agreement concerning State Intercept Procedures are expected to be insufficient to reimburse the State for its payments in respect of the Municipal Bonds, the State Treasurer shall certify to and give notice to the State Tax Commission of the amount of the deficiency pursuant to the provisions of the Trust Agreement concerning State Intercept Procedures.

After receipt of the certified notice from the State Treasurer, the State Tax Commission shall pursuant to the Act: (i) Immediately fix the amount necessary and in the amount of the deficiency stated in the notice; and (ii) Cause moneys to be transferred from the State Sales Tax Account pursuant to Section 63-3638, Idaho Code, and deposited in the Bond Bank Authority Fund; provided however, that in no event shall a transfer of moneys from the State Sales Tax Account impede or otherwise affect the payment of sales tax moneys pledged for the payment on other bonds outstanding on the effective date of the Act or subsequently issued as tax anticipation notes pursuant to Section 63-3202, Idaho Code.

Moneys transferred from the State Sales Tax Account to the Bond Bank Authority Fund shall be transferred by the Authority to the Trustee and deposited in the Revenue Fund and applied to pay principal of and interest on the Bonds pursuant to the provisions of the Trust Agreement concerning the Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund.

#### **Covenants of the Authority**

##### Punctual Payment and Performance

The Authority will punctually pay out of the Revenues the interest on and principal of and redemption premiums, if any, to become due on every Bond issued under the Trust Agreement in strict conformity with the terms thereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained therein and in the Bonds.

##### Against Encumbrances

The Authority will not make any pledge or assignment of or place any charge or lien upon the Revenues except as provided in the provisions of the Trust Agreement concerning Issuance of Bonds and Permitted Encumbrances therein, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided therein.

#### Tax Covenants; Rebate Fund

In addition to the funds and accounts created pursuant to the provisions of the Trust Agreement concerning Funds and Accounts, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained thereunder designated as the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. Notwithstanding the provisions of the Trust Agreement concerning Application of Revenues and Flow of Funds relating to the pledge of Revenues, the allocation of money in the Revenue Fund, the investments of money in any fund or account and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this section of the Trust Agreement and by the Tax Certificate (which is incorporated in the Trust Agreement by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate.

Any funds remaining in the Rebate Fund with respect to a Series of Bonds after redemption and payment of all such Series of Bonds and all other amounts due under the Trust Agreement relating to such Series of Bonds, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees and expenses of the Trustee and satisfaction of the Rebate Requirement (as defined in the Tax Certificate), shall be withdrawn by the Trustee and remitted to or upon the direction of the Authority.

The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any of the Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, "private activity bond" within the meaning of Section 141(a) of the Code, or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(c) of the Internal Revenue Code of 1954, as amended. The Authority shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Bonds. In the event that at any time the Authority is of the opinion that for purposes of this section of the Trust Agreement it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee under the Trust Agreement in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Authority and the Trustee (as directed by the Authority) specifically covenant to comply with the provisions and procedures of the Tax Certificate; provided that the Trustee shall not be bound by this covenant if an Event of Default has occurred and is continuing.

The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

Notwithstanding any provisions of this section of the Trust Agreement, if the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under this section of the Trust Agreement or the Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this section of the Trust Agreement, and, notwithstanding the provisions of the Trust Agreement concerning the Trustee, the covenants under the Trust Agreement shall be deemed to be modified to that extent.

The foregoing provisions of this section of the Trust Agreement shall not be applicable to any Series of Bonds or the proceeds thereof that the Authority determines upon the issuance thereof to be

taxable bonds, the interest on which is intended to be included in the gross income of the Owner thereof for federal income tax purposes.

#### Accounting Records and Reports

The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions. Not more than nine months after the close of each Fiscal Year, the Authority shall furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year. The Authority shall also keep or cause to be kept such other information as required under the Tax Certificate.

#### Prosecution and Defense of Suits

The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided, that the Trustee or any affected Bond Owner at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any reasonable attorney's fees or other reasonable expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the negligence or willful misconduct by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant shall remain in full force and effect even though all Bonds secured thereby may have been fully paid and satisfied.

#### Further Assurances

Whenever and so often as reasonably requested to do so by the Trustee or any Bond Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Bond Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

#### Covenants Regarding Municipal Bonds

Each Municipal Bond shall contain the following provisions:

(a) In the event the Municipality is unable to transfer the scheduled debt service payment on its Municipal Bond to the Trustee the Municipality shall, at least fifteen (15) days before the scheduled payment date, notify the Trustee and the State Treasurer of such non-payment by telephone, a writing sent by facsimile transmission, and a writing sent by first-class United States mail.

(b) Except where the Authority has, at the time of issuance, designated a series of the Bonds as not subject to the intercept under Section 67-8728, Idaho Code, the Municipality shall consent and agree to the State interpret procedures contained in Section 67-8727, Idaho Code.

#### Amendments to Municipal Bonds

The Authority shall not supplement, amend, modify or terminate any of the terms of the Municipal Bonds, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if such supplement, amendment, modification or termination (a) will not materially adversely affect the interests of the Bond Owners or result in any material impairment of the security thereby given for the payment of the Bonds, (b) is

to add to the agreements, conditions, covenants and terms required to be observed or performed thereunder by any party thereto, or to surrender any right or power therein reserved to the Authority, (c) is to cure, correct or supplement any ambiguous or defective provision contained therein, or (d) if the Trustee first obtains the written consent of the Bond Owners of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of payments to be made to the Authority or the Trustee by the Municipalities pursuant to the Municipal Bonds, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Trust Agreement on the Municipal Bonds in each case without the written consent of all of the Bond Owners of the Bonds then Outstanding. The Trustee may consult with counsel, who may be counsel to the Authority, with regard to legal questions regarding such amendments and may rely on a written opinion of such counsel in making the determination pursuant to this section of the Trust Agreement.

#### State Pledges

Pursuant to Section 67-8724 of the Idaho Code, the State pledges and agrees with the Owners of the Bonds that it will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with such Owners, or in any way impair the security, rights and remedies of the Owners of the Bonds until the Bonds, together with the interest thereon, are fully paid and discharged. The State pledges to and agrees with the Owners of the Bonds that the State will not alter, impair or limit the rights vested by the sales tax account pledge provided in Sections 67-8716 and 63-3638, Idaho Code, with respect to the Bonds until the Bonds, together with applicable interest, are fully paid and discharged.

#### Compliance with Continuing Disclosure Agreement

The Authority thereby covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Trust Agreement, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Bond Owners of at least 25 percent aggregate principal amount in Outstanding Bonds, and upon receipt of indemnification satisfactory to it, shall) or any Bond Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this section of the Trust Agreement. For purposes of this section of the Trust Agreement, "Beneficial Owner" means any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

#### Permitted Encumbrances

The Authority will not create or suffer to be created any pledge, lien or charge senior to the lien of the Trust Agreement upon all or any part of the Revenues.

Notwithstanding any other provision of the Trust Agreement, the Authority may incur Funded Debt, subject to the following conditions:

(a) The Authority shall be in full compliance with all covenants and undertakings set forth in the Trust Agreement or any Supplemental Trust Agreement; and

(b) There shall be delivered a Certificate of the Authority evidencing satisfaction of the provisions of the Trust Agreement concerning General Provisions for Issuance of Additional Bonds.

The Authority may issue Subordinated Indebtedness pursuant to the provisions of the Trust Agreement concerning Subordinated Indebtedness.

### **Events of Default and Remedies of Bond Owners**

#### Events of Default

The following events shall be Events of Default:

(a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default shall have continued for a period of thirty (30) days after the Authority shall have been given notice in writing of such default by the Trustee; *provided*, it shall not constitute an Event of Default under this subsection of the Trust Agreement if the default cannot practicably be remedied within thirty (30) days after the Authority receives notice of the default, so long as the Authority promptly commences reasonable action to remedy the default after the notice is received, and continues reasonable action to remedy the default until the default is remedied; or

(d) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

The Trustee shall promptly notify all Bondholders by first class mail of any such event of default which is continuing of which a Responsible Officer has actual knowledge or written notice.

#### Institution of Legal Proceedings by Trustee

If one or more of the Events of Default shall happen and be continuing, the Trustee may, and upon the written request of the Bond Owners of a majority in principal amount of the Bonds then Outstanding, and in each case upon being indemnified to its reasonable satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Bond Owners of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted under Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties thereunder, including but not limited to actions against the State Treasurer and State Tax Commission to enforce its obligations under the Act.

#### Non-Waiver

Nothing in the provisions of the Trust Agreement concerning Events of Default and Remedies of Bond Owners or in any other provision thereof or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Bond Owners of the Bonds at the respective dates of maturity or upon prior redemption as provided in the Trust Agreement from the Revenues as provided therein pledged for such payment, or shall affect or impair the right of such Bond Owners, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied therein and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owner shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Bond Owner to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Bond Owners by the Act or by the provisions of the Trust Agreement concerning Events of Default and Remedies of Bond Owners may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Authority, the Trustee and any Bond Owner shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

#### Actions by Trustee as Attorney-in-Fact

Any action, proceeding or suit which any Bond Owner shall have the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Bond Owners, whether or not the Trustee is a Bond Owner, and the Trustee is thereby appointed (and the successive Bond Owners, by taking and holding the Bonds issued thereunder, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Bond Owners for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Bond Owners as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

#### Remedies Not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Bond Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given thereunder or now or thereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

#### Limitation on Bond Owners' Right to Sue

No Bond Owner of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Bond Owner shall have previously given to the Trustee written notice of the occurrence of an event of default as defined in the provisions of the Trust Agreement concerning Events of Default; (b) the Bond Owners of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Bond Owners shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are thereby declared, in every case, to be conditions precedent to the exercise by any Bond Owner of Bonds of any remedy under the Trust Agreement; it being understood and intended that no one or more Bond Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Bond Owners of the Outstanding Bonds.

### **Amendment of the Trust Agreement and Loan Agreement**

#### Amendment of the Trust Agreement Without Bond Owner Consent

The Trust Agreement and the rights and obligations of the Authority and of the Bond Owners may be amended at any time by a Supplemental Trust Agreement which shall become binding upon the written direction of the Authority. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Bond Owner of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created thereby for the benefit of the Bonds except as otherwise provided therein, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto, or (4) impair the tax-exempt status of the Bonds, or (5) deprive to any Bond Owner of the lien created by the Trust Agreement. Promptly after the execution by the Authority and the Trustee of any Supplemental Trust Agreement, the Trustee shall mail a notice on behalf of the Authority, setting forth in general terms the substance of such Supplemental Trust Agreement to the Bond Owners at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Bondholders, provided an Opinion of Bond Counsel is delivered as set forth in the provisions of the Trust Agreement concerning Required or Permitted Opinions of Counsel, for any purpose that the Authority determines will not materially adversely affect the interests of the Bondholders, including (without limitation) for any one or more of the following purposes:

- (a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved therein to or conferred therein on the Authority;
- (b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising thereunder which the Authority may deem desirable or necessary;
- (c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in provisions of the Trust Agreement concerning the Issuance of Bonds (which shall be deemed not to adversely affect Bondholders);
- (d) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939; or
- (e) to add to the agreements and covenants in the Trust Agreement, and to make any necessary changes therein, to include provisions relating to the Idaho Municipal Bond Bank Authority Reserve Fund, created pursuant to Section 67-8713, Idaho Code, in the event moneys are appropriated by the State legislature for the purpose of such fund.
- (f) to preserve the tax-exempt status of the Bonds, or any of them.
- (g) to conform to the terms and conditions of any financing documents necessary for the issuance of Funded Debt, provided such modification shall not materially adversely affect the interest of the owners of the Bonds, as set forth in a Certificate of Authority filed with the Trustee.
- (h) to modify, alter, amend or supplement the Trust Agreement in any other respect which is not adverse to the Bond Owners and which does not involve a change described in the provisions of the Trust Agreement concerning Amendment of the Trust Agreement Without Bond Owner Consent.

#### Amendment of the Trust Agreement With Bond Owner Consent

Except for any Supplemental Trust Agreement entered into pursuant to the provisions of the Trust Agreement concerning Amendment of the Trust Agreement Without Bond Owner Consent, and subject to the terms and provisions contained in the provisions of the Trust Agreement concerning the Amendment of the Trust Agreement and Loan Agreement and not otherwise, the Bond Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, with the written consent of the Bond Insurer when a Bond Insurance Policy is in effect covering at least a majority in aggregate principal amount of the then Outstanding Bonds and so long as the Bond Insurer is not in default on the Bond Insurance Policy and an act of bankruptcy with respect to the Bond Insurer shall not have occurred and be continuing (provided that the Bond Insurer shall be under no liability by reason of giving or withholding such consent), to consent to and approve the execution by the Authority and the Trustee of any Supplemental Trust Agreement as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in any Supplemental Trust Agreement; provided, however, that nothing in the Trust Agreement contained shall permit, or be construed as permitting, without the consent of each Owner affected, (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Bond Owner of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created thereby for the benefit of the Bonds except as otherwise provided therein, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto, or (4) impair the tax-exempt status of the Bonds, or (5) deprive to any Bond Owner of the lien created by the Trust Agreement.

If at any time the Authority and the Trustee shall determine to enter into any Supplemental Trust Agreement for any of the purposes of this section of the Trust Agreement, the Trustee shall cause notice of the proposed Supplemental Trust Agreement to be mailed by registered or certified mail, postage prepaid to the Bond Insurer and the Bond Owners of the Outstanding Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Trust Agreement and shall state that a copy thereof is on file at the principal office of the Trustee for inspection by all Bond Owners.

After the date of the mailing of such notice, the Authority and the Trustee may enter into such Supplemental Trust Agreement, with the written consent of the Bond Insurer when a Bond Insurance Policy is in effect covering at least a majority in aggregate principal amount of the then Outstanding Bonds and so long as the Bond Insurer is not in default on the Bond Insurance Policy and an act of bankruptcy with respect to the Bond Insurer shall not have occurred and be continuing (provided that the Bond Insurer shall be under no liability by reason of giving or withholding such consent), in substantially the form described in such notice, only if there shall have first been filed with the Trustee (1) the written consents of Bond Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and (2) the Opinion of Bond Counsel as set forth in the provisions of the Trust Agreement concerning the Amendment of the Trust Agreement and Loan Agreement. Any such consent shall be binding upon the Bond Owners of such Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner thereof has notice thereof, unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee prior to the execution and delivery of such Supplemental Trust Agreement.

If the Bond Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall have consented to and approved the execution thereof as provided in the Trust Agreement, no Owner of any Bond shall have any right to object to the execution and delivery of such Supplemental Trust Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin and restrain the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution any Supplemental Trust Agreement pursuant to the provisions of this section of the Trust Agreement, the Trust Agreement shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Agreement of the Authority, the Trustee and all Bond Owners of the Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Trust Agreement, subject in all respects to such modifications and amendments.

#### Endorsement or Replacement of Bonds After Amendment

Bonds delivered after any Supplemental Trust Agreement becomes effective pursuant to the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreement may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to such action, and in that case upon demand of the Bond Owner of any Outstanding Bonds and presentation of his Bond for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Bond Owner of any Outstanding Bond a new Bond or Bonds shall be exchanged at the office of the Trustee without cost to each Bond Owner for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

#### Amendment of Loan Agreement

The Authority and the Municipality with which it has executed a Loan Agreement may enter into any amendment, change or modification of such Loan Agreement (a) as may be required by the provisions of such Loan Agreement or the Trust Agreement; (b) for the purpose of curing any ambiguity or formal defect or omission; (c) so as to add additional rights acquired in accordance with the provisions of such Loan Agreement; (d) to preserve the tax-exempt status of interest on the Bonds, or any of them; (e) to modify, alter, amend or supplement such Loan Agreement in any other respect which is not adverse to the Bond Owners.

#### Required and Permitted Opinions of Counsel

The Authority and the Trustee shall be provided with and may rely on an Opinion of Bond Counsel to the effect that any Supplemental Trust Agreement entered into by the Authority and the Trustee complies with the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreement and an opinion of Bond Counsel that any such Supplemental Trust Agreement does not adversely affect the tax-exempt status of interest on the Bonds. The Authority and the Trustee shall be provided with and may rely upon an Opinion of Bond Counsel to the effect that any proposed amendment, change or modification to a Loan Agreement will comply with the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreement and an opinion of Bond Counsel that any such amendment, change or modification does not adversely affect the tax-exempt status of interest on the Bonds. No Supplemental Trust Agreement or amendment, change or modification to a Loan Agreement or the Bonds shall be effective until the Authority and the Trustee shall have received an Opinion of Bond Counsel to the effect that such Supplemental Trust Agreement or such amendment or modification is permitted by the Act and will not adversely affect the tax-exempt status of interest on the Bonds.

#### **Investment of Moneys**

##### Investment of Moneys

The Trustee shall invest and reinvest any moneys held as part of the Revenue Fund upon the written direction of an Authorized Representative in Permitted Investments. Any such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund for which they were made. The interest accruing thereon, any profit realized from such investments and any loss resulting from such investments shall be credited or charged to such fund. The Trustee shall sell and reduce to cash a sufficient amount of such investments of the Revenue Fund whenever the cash balance in the Revenue Fund is

insufficient to pay the principal of and premium, if any, and interest on the Bonds when due. Unless otherwise provided in a Supplemental Trust Agreement, the Trustee may commingle any of the funds or accounts established pursuant to the Trust Agreement into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by the Trust Agreement. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this section of the Trust Agreement. The Trustee shall be entitled to assume that any investment which at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter, absent receipt of written notice or information to the contrary. The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or any other regulatory entity grant the Authority the right to receive brokerage confirmations of the security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include the detail for all investment transactions made by the Trustee under the Trust Agreement.

#### Investments; Arbitrage

The Trustee may make any and all investments permitted by the provisions of the Trust Agreement concerning Investment of Moneys through its own bond department. The Trustee may act as principal or agent in the making or disposing of any investments, and may act as sponsor, advisor or manager in connection with any such investments. The provisions of this subsection of the Trust Agreement shall apply to affiliates of the Trustee. As and when any amount invested pursuant to the provisions of the Trust Agreement concerning Investment of Moneys may be needed for disbursement, the Trustee may cause a sufficient amount of such investments to be sold and reduced to cash to the credit of such funds.

#### **Defeasance**

##### Discharge of Indebtedness

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the bondholders the principal of and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Trust Agreement, then the pledge of any Revenues and other monies, securities and funds pledged under the Trust Agreement and all covenants, agreements and other obligations of the Authority to the bondholders shall thereupon cease, terminate and become void and be discharged and satisfied, and such Bonds shall cease to be entitled to any lien, benefit or security under the Trust Agreement; provided, however, that the Trust Agreement may not be discharged until any amounts due the Insurer have been paid.

##### Provision for Defeasance of the Bonds

In the event that money or investments described in the definition of Permitted Investments, maturing or having guaranteed redemption prices at the option of the owner at such time or times and bearing interest to be earned thereon in such amounts as are sufficient (together with any resulting cash balances), as certified by a certified public accountant selected by the Authority, to redeem and retire part or all of the Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need be made into the Revenue Fund therein for the payment of the principal of and interest on the Bonds so provided for, and such Bonds and interest accrued thereon shall then cease to be entitled to any lien, benefit or security of the Trust Agreement, except the right to receive the funds so set aside and pledged, and such Bonds and interest accrued thereon shall no longer be deemed to be Outstanding hereunder; provided, however, that the Trust Agreement may not be discharged until any amounts due the Insurer have been paid.

##### Disposition of Funds and Accounts

Upon the deposit with the Trustee of moneys sufficient to pay all principal of, premium, if any, and interest on the Bonds, or upon the making of adequate provisions for the payment of such amounts,

all moneys remaining in all Funds and Accounts, as defined in Section 5.01 of the Master Trust Agreement, except moneys necessary to pay principal or premium, if any, and interest on the Bonds, shall be paid to the Authority.

#### Unclaimed Money

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, shall at the Written Request of the Authority be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall not look to the Trustee for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee may, and at the request of the Authority shall, at the expense of the Authority, cause to be published once a week for two (2) successive weeks in a Financial Newspaper of general circulation in Boise, Idaho, and in the same or a similar Financial Newspaper of general circulation in New York, New York, a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be deposited in the Surplus Fund for the Authority.

#### **Miscellaneous**

##### Liability of Authority Limited to Revenues

Notwithstanding anything contained in the Trust Agreement, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided in the Trust Agreement for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants in the Trust Agreement contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided in the Trust Agreement, and the Authority is not obligated to pay them except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided therein. The Bonds are not a debt of the State or any of its political subdivisions, and neither the State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided therein. The Bonds do not constitute indebtedness within the meaning of any constitutional or statutory limitation or restriction.

##### Benefits of the Trust Agreement Limited to Parties and Third Party Beneficiaries

Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the Authority, the Trustee, and the Bond Owners any right, remedy or claim under or by reason thereof. Any agreement or covenant required therein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Authority, the Trustee, and the Bond Owners.

#### Waiver of Personal Liability

No member, officer or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing in the Trust Agreement contained shall relieve any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or thereby.

### **SUMMARY OF CERTAIN PROVISIONS OF THE FORM OF LOAN AGREEMENT**

#### **1. Loan Agreements for Water and Sewer Revenue Loans.**

##### **Loan to Municipality; Repayment Provisions**

###### Loan to Municipality

The Authority covenants and agrees, upon the terms and conditions in the Loan Agreements, to make a loan of the amount specified in the Loan Agreement attached thereto to each Municipality for the purpose of financing or refinancing the Project. Pursuant to said covenant and agreement, the Authority will issue the Bonds upon the same terms and conditions contained in the Loan Agreements and the Trust Agreement and will cause the Bond proceeds to be applied as provided in provisions of the Loan Agreements concerning the Loans to the Municipalities and Repayment Provisions. The Municipalities shall issue and sell its Municipal Bonds to the Authority as evidence of their Loan obligations under the Loan Agreements and the payments due on the Municipal Bonds shall equal the Repayment Installments under the Loan Agreements.

###### Repayment and Payment of Other Amounts Payable

The Municipality covenants and agrees to pay over to the Trustee the Repayment Installments and any other amounts then due on the Loan to the Municipality pursuant to the Loan Agreement at least fifteen (15) days prior to the Repayment Installment Dates as set forth in Exhibit B of Loan Agreement. Any amount held by the Trustee in the Revenue Fund on the Municipality's behalf on any Repayment Installment Date under the Loan Agreement shall be credited against the Repayment Installment due on such date to the extent available for such purpose; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Revenue Fund on the Municipality's behalf are sufficient to pay all of the Repayment Installments, the Municipality shall be relieved of any obligation to make any further payments under the provisions of this section of the Loan Agreement. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund on the Municipality's behalf is insufficient to make any required Repayment Installment on any Repayment Installment Date, the Municipality shall forthwith pay such deficiency as a Repayment Installment under the Loan Agreement.

Upon written request of the Trustee, the Municipality shall pay any Repayment Installment directly to the Trustee.

###### Unconditional Obligation

The obligations of the Municipality to make the payments required by the provisions of the Loan Agreement and to perform and observe the other agreements on its part contained in the Loan Agreement shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority, and during the term of the Loan Agreement, the Municipality shall pay the payments to be made on account of the loan as prescribed in provisions of the Loan Agreement and all other payments required thereunder, free of any deductions and without abatement, diminution or set-off; provided, that the Municipality's obligation to make payments under the Loan Agreement shall be limited to the extent of System Net Revenues and is not a general obligation of the Municipality, provided that the State intercept shall apply. Until such time as the Repayment

Installments shall have been paid in full (or provision for the payment thereof shall have been made subject to the terms and conditions contained in the Trust Agreement concerning Defeasance), the Municipality (i) will not suspend or discontinue any payments provided for in provisions of the Loan Agreement; (ii) will perform and observe all of its other covenants contained in the Loan Agreement; and (iii) will not terminate the Loan Agreement for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to the System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Idaho or any political subdivision of either of these, or any failure of the Authority or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement or the Trust Agreement, except to the extent permitted by the Loan Agreement.

###### Assignment of Authority's Rights

As security for the payment of the Bonds, the Authority will assign to the Trustee the Authority's rights, but not its obligations, under the Loan Agreement, including the right to receive payments thereunder (except (i) the rights of the Authority to receive notices under the Loan Agreement, (ii) the right of the Authority to receive certain payments, if any, with respect to fees, expenses and indemnification and certain other purposes under the provisions of the Loan Agreement concerning Notice to Trustee and Authority, and Indemnification, and (iii) the right of the Authority to give approvals or consents pursuant to the Loan Agreement) and the Authority thereby directs the Municipality to make the payments required thereunder (except such payments for fees, expenses and indemnification) directly to the Trustee. The Municipality thereby assents to such assignment and agrees to pay the Repayment Installments directly to the Trustee (subject to the provisions of the Loan Agreement) without defense or set-off by reason of any dispute between the Municipality and the Authority or the Trustee.

###### Amounts Remaining in Funds

It is agreed by the parties to the Loan Agreement that after payment in full of (i) the Repayment Installments, or after provision for such payment shall have been made as provided in the terms and conditions contained in the Trust Agreement concerning Defeasance, (ii) the fees and expenses of the Authority in accordance with the Loan Agreement, (iii) the fees, charges and expenses of the Trustee, the Registrar and Paying Agent in accordance with the Trust Agreement and the Loan Agreement and (iv) all other amounts required to be paid under the Loan Agreement and the Trust Agreement, any amounts remaining in any fund held by the Trustee under the Trust Agreement shall belong, subject to the requirements of the Trust Agreement concerning Tax Covenants and the Rebate Fund, to the Authority and be paid to the Authority by the Trustee.

###### Timeliness of Payments; Repayment

(a) The Municipality understands that the State intercept and repayment procedures contained in and required by Section 67-8727, Idaho Code, as amended, and as set forth in the Loan Agreement operate as a matter of law with respect to the Loan.

(b) If the Municipality is unable to transfer all of its Repayment Installment to the Trustee at least 15 days before the Repayment Installment Date, the Municipality shall immediately notify the Trustee, the Authority and the State Treasurer by: (i) telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail. If sufficient funds are not transferred to the Trustee for the Bonds of the Authority that are secured by the Loan Agreement at least ten (10) days before the scheduled debt service payment date of the Bonds, the Trustee shall transfer any available funds pledged to secure payment of the Bonds in sufficient amounts to make up any shortfall in the amount necessary to pay debt service on the Bonds on the scheduled payment date and deposit such amount in the debt service payment fund for those Bonds.

(c) If, as a result of the failure of the Municipality to make Repayment Installments in a timely manner, the Trustee shall transfer funds pursuant to paragraph (b) of this section of the Loan

Agreement to pay debt service on the Bonds or if there are not sufficient funds available pursuant to paragraph (b) of this section of the Loan Agreement to make up for any shortfall in the amount necessary to pay debt service on the Bonds, at least ten (10) days before the scheduled debt service payment date of the Bonds, the Trustee shall notify the Authority and the State Treasurer by: (i) telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail.

(d) Upon the notice provided in subsection (c) above, the Municipality consents and agrees that the State Treasurer shall to the extent provided in Section 67-8727, Idaho Code, as amended: (i) immediately intercept any payments from: (A) the receipts of any payment of property taxes; or (B) sales tax moneys that would be distributed pursuant to section 63-3638, Idaho Code; or (C) to the extent permitted by law, any other source of operating moneys provided by the State to the Municipality that would otherwise be paid to the Municipality by the State.

(e) If the State has made all or part of a Repayment Installment on behalf of the Municipality from moneys transferred from the State sales tax account pursuant to Section 67-8716, Idaho Code, the Municipality shall: (a) reimburse all moneys drawn by the State Treasurer on its behalf; (b) pay interest to the State on all moneys paid by the State from the date the moneys are drawn to the date they are repaid at a rate not less than the average prime rate for national money center banks plus five percent (5%); and (c) pay all penalties required by the Act.

(f) The State Treasurer shall establish the reimbursement interest rate after considering the circumstances of any prior draws by the Municipality on the State, market interest and penalty rates, and the cost of funds, if any, that were required to be borrowed by the State to make Repayment Installments.

(g) The State Treasurer may, after considering the circumstances giving rise to the failure of the Municipality to make its Repayment Installments in a timely manner, impose on the Municipality a penalty of not more than five percent (5%) of the amount paid by the State for each instance in which a payment by the State is made.

(h) (i) If the State Treasurer determines that amounts obtained under this section of the Loan Agreement will not reimburse the State in full within one (1) year from the State's payment of the Municipality's scheduled Repayment Installments, the State Treasurer shall, subject to clause (ii) thereof, pursue any legal action, including mandamus, against the Municipality to compel it to take any action required by the Act, including:

(1) To the extent permitted by law, provide System Net Revenues to pay Repayment Installments when due; and

(2) Meet its repayment obligations to the State.

(ii) In pursuing its rights under paragraph (i) of this subsection (h), the State shall have the same substantive and procedural rights as would a holder of the Loan Agreement.

(iii) The attorney general shall assist the State Treasurer in these duties.

(iv) The Municipality shall pay the attorney's fees, expenses and costs of the State Treasurer and the State attorney general.

## Security

### Pledge of System Net Revenues

All System Net Revenues and other legally available revenues and all amounts on deposit in the Income Fund are irrevocably pledged to the payment of the Repayment Installments as provided in the Loan Agreement and the System Net Revenues shall not be used for any other purpose while any of the Repayment Installments remain unpaid; *provided* that (i) any Prior Obligations shall be paid on parity with the Repayment Installments, and (ii) out of the System Revenues there may be apportioned such sums for such purposes as

are expressly permitted in the Loan Agreement. This pledge, together with the pledge created by all other Parity Debt, shall constitute a first lien on System Net Revenues and, subject to application of amounts on deposit therein as permitted in the Loan Agreement, the Income Fund and other funds and accounts created thereunder for the payment of the Repayment Installments and all other Parity Debt in accordance with the terms thereof and of the Trust Agreement.

### Allocation of System Revenues

In order to carry out and effectuate the pledge and lien contained in the Loan Agreement, the Municipality agrees and covenants that all System Revenues shall be received by the Municipality in trust thereunder and shall be deposited when and as received in a special fund designated as the "Income Fund," which fund is thereby established and which fund the Municipality agrees and covenants to maintain and to hold separate and apart from other funds so long as any Repayment Installments remain unpaid. To the extent the Municipality has an existing fund which satisfies the foregoing requirements, then such shall be deemed to be the "Income Fund" and the Municipality shall not be required to create a new fund. The Municipality may maintain separate accounts within the Income Fund. The amounts in the Income Fund shall be invested in investments permitted by State law. Moneys in the Income Fund shall be used and applied by the Municipality as provided in the Loan Agreement.

The Municipality shall, from the moneys in the Income Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. Thereafter, all remaining moneys in the Income Fund shall be set aside by the Municipality at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this section of the Loan Agreement.

(a) Repayment Installments. Not later than each Repayment Installment Date, the Municipality shall, from the moneys in the Income Fund, transfer to the Trustee the Repayment Installment due and payable on that Repayment Installment Date. The Municipality shall also, from the moneys in the Income Fund, transfer to the applicable trustee, if any, for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Parity Obligation Payments in accordance with the provisions of any Parity Obligation.

(b) Surplus. Moneys on deposit in the Income Fund not necessary to make any of the payments required above, may be expended by the Municipality at any time for any purpose permitted by law, including but not limited to payments with respect to Subordinate Obligations.

### Additional Parity Debt

The Municipality may at any time enter into any Parity Debt; *provided*:

(a) The Municipality shall be in compliance with all agreements, conditions, covenants and terms contained in the Loan Agreement, and a Certificate of the Municipality to that effect shall have been filed with the Trustee;

(b) The Parity Debt shall have been duly authorized pursuant to all applicable laws;

(c) The most recent available audit of the Municipality shows that the System Net Revenues for the Fiscal Year immediately preceding the date of the resolution authorizing the Parity Debt shall have been sufficient to pay an amount representing 125 percent of the Maximum Annual Debt Service;

(d) As an alternative to the audit report requirement in 4.3(c), the Municipality may utilize a report of the Consulting Engineer that shows that the System Net Revenues for the projected life of the Parity Debt will be at least equal to 125 percent of the Maximum Annual Debt Service. In determining whether Parity Debt may be issued, the Consulting Engineer shall consider any probable increase (but not decrease) in



Operation and Maintenance Costs, and there may be added to such System Net Revenues an allowance for net revenues from any improvements to the System to be made with the proceeds of such Parity Debt and also for net revenues from any improvements to the System which have been made from money from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 75 percent of the estimated additional average annual net revenues to be derived from each such improvement for the first 36 month period in which each such improvement is in operation.

Nothing contained in this section of the Loan Agreement shall limit the issuance of any revenue bonds of the Municipality payable from the System Net Revenues and secured by a lien and charge on the System Net Revenues if, after the issuance and delivery of such revenue bonds, none of the Repayment Installments shall be unpaid. Furthermore, the Municipality may within two (2) years from the date of the Loan Agreement, issue Parity Debt in an amount not to exceed 10% of the par amount of its Municipal Bonds in order to fund costs necessary to complete the Project.

#### Reserve Fund

There shall be established from the proceeds of the Loan a Reserve Fund for the Loan to be held by the Municipality for the Municipal Bond. Such Reserve Fund shall be drawn upon by the Municipality for the Municipal Bond if needed to make the Repayment Installments. In the event a drawing on the Reserve Fund results in a balance in such fund lower than the Reserve Requirement, the Municipality shall replenish said account to the Reserve Requirement from System Net Revenues as soon as possible but not later than one (1) year from the date of such drawing; and the Municipality for the Municipal Bond shall so notify the Trustee.

#### **Special Covenants and Agreements**

##### Punctual Payment

The Municipality will punctually pay all Repayment Installments in strict conformity with the terms of this section of the Loan Agreement to the extent of System Net Revenues and will faithfully satisfy, observe and perform all agreements, conditions, covenants and terms thereof.

##### Legal Existence

The Municipality will use all means legally available to maintain its existence.

##### Against Encumbrances

The Municipality will not mortgage or otherwise encumber, pledge or place any charge upon any of the System Net Revenues except as provided in the Loan Agreement, and will not issue any obligations secured by System Net Revenues senior to the Parity Debt; *provided*, that the Municipality may at any time issue any Subordinate Obligations.

##### Against Sale or other Disposition of the System

The Municipality will not sell or otherwise dispose of the System or any part thereof essential to the proper operation of the System or to the maintenance of the System Net Revenues, unless the Repayment Installments have been fully paid or provision has been made therefor in accordance to the terms and conditions contained in the Trust Agreement concerning Defeasance. The Municipality will not enter into any lease or agreement which impairs the operation of the System or any part thereof necessary to secure adequate System Net Revenues for the payment of the Repayment Installments, or which would otherwise impair the rights of the Owners with respect to the System Net Revenues or the operation of the System.

#### Maintenance and Operation of System

The Municipality agrees that as long as it owns the System it will (i) maintain, or cause to be maintained, the System in as reasonably safe condition as its operations shall permit and (ii) maintain, or cause to be maintained, the System in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

#### Right of Access to the Project

The Municipality agrees that during the term of the Loan Agreement, the Authority, the Trustee and the duly authorized agents of either of them shall have the right at all reasonable times during normal business hours to enter upon the site of the System to examine and inspect such System; provided, however, that this right is subject to federal and State of Idaho laws and regulations applicable to such site. The rights of access thereby reserved to the Authority and the Trustee may be exercised only after such agent shall have executed release of liability (which release shall not limit any of the Municipality's obligations thereunder) and secrecy agreements if requested by the Municipality in the form then currently used by the Municipality, and nothing contained in this section of the Loan Agreement or in any other provision of the Loan Agreement shall be construed to entitle the Authority or the Trustee to any information or inspection involving the confidential knowledge of the Municipality.

#### Tax Exempt Status of Bonds

It is the intention of the parties hereto that interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes. To that end, the covenants and agreements of the Authority and the Municipality in this Section and in the Tax Certificate are for the benefit of the Trustee and each and every person who at any time will be a holder of the Bonds. Without limiting the generality of the foregoing, the Municipality and the Authority agree that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to the rebate requirement (the "Rebate Requirement") under Section 148 of the Code and the Tax Certificate. The amount of the Rebate Requirement shall be determined as specified in the Tax Certificate, including (i) treating as the yield on the Municipality Bond the yield on the Bonds and (ii) treating any amounts held by the Authority and allocable to the Municipality Bond as proceeds of the Municipality Bond. This covenant shall survive payment in full or defeasance of the Bonds. The Municipality specifically covenants to pay or cause to be paid for and on behalf of the Authority to the United States at the times and in the amounts determined under Section 7.03 of the Trust Agreement the Rebate Requirement as described in the Tax Certificate and the Trust Agreement. The Authority shall not be liable to make any such payment except from funds provided by the Municipality for such purpose. The Authority covenants and agrees that it has not taken and will not take any action which results in interest to be paid on the Bonds being included in gross income of the holders of the Bonds for federal income tax purposes, and the Municipality covenants and agrees that it has not taken or permitted to be taken and will not take or permit to be taken any action which will cause the interest on the Bonds to become includable in gross income for federal income tax purposes. The Municipality acknowledges having read provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund and agrees to perform all duties imposed on it by such section, by this section of the Loan Agreement and by the Tax Certificate. Insofar as this of the Trust Agreement and the Tax Certificate impose duties and responsibilities on the Authority or the Municipality, they are specifically incorporated into the Loan Agreement by reference.

Notwithstanding any provision of the Loan Agreement concerning the Tax Exempt State of Bonds or the provisions of the Trust Agreement concerning the Amount of Prepayment, if the Municipality shall provide to the Authority and the Trustee an Opinion of Bond Counsel to the effect that any specified action required under the provisions of the Loan Agreement concerning the Tax Exempt Status of Bonds and the provisions of the Trust Agreement concerning the Amount of Prepayment is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Municipality, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this section of the Loan Agreement, and the covenants set forth in the provisions of

the Loan Agreement concerning the Tax Exempt Status of the Bonds shall be deemed to be modified to that extent.

#### Notices to Trustee and Authority

The Municipality thereby agrees to provide the Trustee and the Authority with notice of any event of which it has knowledge which, with the passage of time or the giving of notice, would be an Event of Default, such notice to include a description of the nature of such event and what steps are being taken to remedy such Event of Default.

#### Continuing Disclosure

The Municipality thereby covenants and agrees to comply with the continuing disclosure requirements for the Bonds as promulgated under Rule 15c2-12, as it may from time to time thereafter be amended or supplemented, including those requirements set forth below. Notwithstanding any other provision of the Loan Agreement, failure of the Municipality to comply with the requirements of Rule 15c2-12 applicable to the Bonds, as it may from time to time thereafter be amended or supplemented, shall not be considered an Event of Default thereunder or under the Trust Agreement; however, any Bondholder or beneficial owner of any Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Municipality to comply with its obligations pursuant to the provisions of the Loan Agreement concerning Continuing Disclosure.

(a) Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this section of the Loan Agreement unless otherwise defined in this section of the Loan Agreement, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Municipality pursuant to, and as described in the provisions of the Loan Agreement concerning Continuing Disclosure.

“Beneficial Owner” shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Treasurer of the Municipality or his or her designee, or such other officer or employee as the Municipality shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent under the Loan Agreement, or any successor Dissemination Agent designated in writing by the Municipality and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in provisions of the Loan Agreement concerning Continuing Disclosure.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth at <http://www.sec.gov/consumer/NRMSIR.htm>.

“Owner” means an owner of the Bonds and includes Beneficial Owners.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and the State Repository, if any.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. Currently there is no State Repository in the State of Idaho.

(b) Provision of Annual Reports.

(i) The Municipality shall, with the assistance of the Dissemination Agent, not later than 270 days after the end of the Municipality’s fiscal year (presently September 30), commencing with the report for the 2007-2008 Fiscal Year, provide to each Repository and the Authority an Annual Report which is consistent with the requirements of the Loan Agreement concerning Continuing Disclosure. The filing shall be transmitted by Disclosure Agent and may be through the DisclosureUSA system of the Securities and Exchange Commission. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in the provisions of the Loan Agreement concerning Continuing Disclosure. If the Municipality’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under the provisions of the Loan Agreement concerning Continuing Disclosure.

(ii) Not later than fifteen (15) Business Days prior to the date specified in subsection (b)(i) for providing the Annual Report to Repositories, the Municipality shall provide the Annual Report, to the Dissemination Agent, to the Trustee (if the trustee is not the Dissemination Agent) and to the Authority. If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Municipality to determine if the Municipality is unable to provide to the Repositories in compliance with the first sentence of this subsection (ii).

(iii) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (i) the Trustee shall send a notice to the Municipal Securities Rulemaking Board, the Authority and the State Repository in substantially the form as Exhibit D2 attached.

(iv) The Dissemination Agent (currently the Trustee) shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository; and

(2) file a report with the Municipality, the Authority and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to the Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(c) Content of Annual Reports. The Municipality’s Annual Report shall contain or include by reference the following:

(i) The audited financial statements for the Municipality for the most recently ended fiscal year, currently prepared, to the extent feasible, in substantial conformance with generally accepted accounting principles applicable from time to time to governmental entities, with any permitted exception and an adopted budget for the then current fiscal year.

(ii) A statement in the form attached to the Loan Agreement as Exhibit D1 as to outstanding debt, litigation, compliance with regulatory matters and related items.

(d) Reporting of Significant Events.

(i) Pursuant to the provisions of this section of the Loan Agreement, the Municipality shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Loan Agreement and the Bonds, if material:

- (1) principal and interest payment delinquencies.
- (2) non-payment related defaults.
- (3) modifications to rights of Bond Owners.
- (4) optional, contingent or unscheduled redemptions of the Loan Agreement and any Parity Debt.
- (5) defeasances.
- (6) rating changes.
- (7) adverse tax opinions or events adversely affecting the tax-exempt status of the Loan Agreement.
- (8) unscheduled draws on debt service reserves reflecting financial difficulties.
- (9) unscheduled draws on credit enhancements reflecting financial difficulties.
- (10) substitution of credit or liquidity providers, or their failure to perform.
- (11) release, substitution, or sale of property securing repayment of the Loan Agreement.

(ii) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Municipality promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (vi).

(iii) Whenever the Municipality obtains knowledge of the occurrence of a Listed Event whether because of a notice from the Trustee pursuant to subsection (ii) or otherwise, the Municipality shall as soon as possible determine if such event would be material under applicable federal securities laws.

(iv) If the Municipality has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Municipality shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (vi).

(v) If in response to a request under subsection (ii), the Municipality determines that the Listed Event would not be material under applicable federal securities laws, the Municipality shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (vi) of this section of the Loan Agreement.

(vi) If the Trustee has been instructed by the Municipality to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (i)(4) and (5) need not be given under this subsection of the Loan Agreement any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Trust Agreement.

(e) Termination of Reporting Obligation. The Municipality's obligations under the Disclosure Agreement shall terminate upon the legal defeasance or discharge of the Loan Agreement in accordance with the provisions of the Loan Agreement concerning Discharge of Obligations. If such termination occurs prior to the final maturity of the Bonds, the Municipality shall give notice of such

termination in the same manner as for a Listed Event under the provisions of the Loan Agreement concerning Continuing Disclosure.

(f) Dissemination Agent. The Municipality may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Municipality pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Trustee.

(g) Amendment; Waiver. Notwithstanding any other provision of the section of the Loan Agreement concerning Continuing Disclosure, the Municipality and the Authority (or upon assignment of the Loan Agreement by the Authority, the Trustee) may amend this section of the Loan Agreement (and the Trustee shall agree to any amendment so requested by the Municipality), and any provision of this section may be waived, provided that the following conditions are satisfied:

(i) If the amendment or waiver relates to the provisions of the Continuing Disclosure section of the Loan Agreement concerning Annual Reports, the Content of Annual Reports or the Reporting of Significant Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(ii) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver either (1) is approved by the Owners of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (2) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Owners and Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Loan Agreement concerning Continuing Disclosure, the Municipality shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Municipality. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under the section of the Loan Agreement concerning Continuing Disclosure and the Reporting of Significant Events, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(h) Additional Information. Nothing in the provisions of the Loan Agreement concerning Continuing Disclosure shall be deemed to prevent the Municipality from disseminating any other information, using the means of dissemination set forth in this section or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this section. If the Municipality chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this section, the Municipality shall have no obligation under this section to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

(i) Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in the provisions of the Loan Agreement concerning Continuing Disclosure, and the Municipality agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Loan Agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Municipality under the provisions of the Loan Agreement concerning Continuing Disclosure shall survive resignation or removal of the Dissemination Agent and payment of the Loan Agreement.

(j) Notices. Any notices or communications to or among any of the parties to the provisions of the Loan Agreement concerning Continuing Disclosure may be given at their addresses as set forth in the Trust Agreement and the Loan Agreement.

(k) Beneficiaries. This section of the Loan Agreement shall inure solely to the benefit of the Municipality, the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters, Beneficial Owners and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

#### Eminent Domain Proceeds

If all or any part of the System shall be taken by eminent domain proceedings, the Net Proceeds realized by the Municipality therefrom shall be deposited by the Municipality with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the Municipality to the cost of acquiring and constructing additions, betterments, extensions or improvements to the System if (A) the Municipality first secures and files with the Trustee a Certificate of the Municipality showing (i) the loss in annual System Revenues, if any, suffered, or to be suffered, by the Municipality by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the System then proposed to be acquired and constructed by the Municipality from such proceeds, and (iii) an estimate of the additional System Revenues to be derived from such additions, betterments, extensions or improvements; and (B) the Trustee has been furnished a Certificate of the Municipality, certifying that such additional System Revenues will sufficiently offset on a timely basis the loss of System Revenues resulting from such eminent domain proceedings so that the ability of the Municipality to pay Repayment Installments when due will not be substantially impaired, and such Certificate of the Municipality shall be final and conclusive, and any balance of such proceeds not required by the Municipality for such purpose shall be deposited in the Income Fund and applied as provided in the provisions of the Loan Agreement concerning Allocation of System Revenues, *provided*, that if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Repayment Installments as they come due and Parity Obligation Payments as they shall become due; *provided further* that the foregoing procedures for the application of Net Proceeds shall be subject to any similar provisions for Parity Debt on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the System Revenues and the security of the Repayment Installments, and a Certificate of the Municipality to such effect has been filed with the Trustee, then the Municipality shall forthwith deposit such proceeds in the Income Fund, to be applied as provided in the provisions of the Loan Agreement concerning Legal Existence.

#### Amounts of Rates, Fees and Charges

The Municipality will, at all times while any of the Repayment Installments remain unpaid, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year:

- (a) All current Operation and Maintenance Costs.

(b) The Repayment Installments, Parity Obligation Payments and the payment of the Subordinate Obligations as they become due and payable.

- (c) All payments required for compliance with the terms of the Loan Agreement.

(d) All payments to meet any other obligations of the Municipality which are charges, liens or encumbrances upon, or payable from, the System Net Revenues.

In addition to the requirements of the first paragraph of this section, the Municipality will, at all times while any Repayment Installments remain unpaid, to the maximum extent permitted by law, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Net Revenues during such Fiscal Year equal to at least 125 per cent (or such other percentage as permitted or required by the Authority) of the Annual Debt Service in such Fiscal Year. If the Municipality is unable to meet this requirement, it will retain a Consulting Engineer to provide recommendations or adjustments to rates or modifications to operations to produce the necessary amount of system net revenues specified in Section 5.11 of the Loan Agreement.

The Municipality may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the System Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section of the Loan Agreement.

#### Enforcement of and Performance under Contracts

The Municipality shall enforce all material provisions of any contracts to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such contracts provide for material payments or services to be rendered to the System. Further, the Municipality will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the System, to the extent that the Municipality is a party thereto.

#### Collection of Charges, Fees and Rates

The Municipality will have in effect at all times rules and regulations requiring each user of the System to pay the applicable charges, fees and rates and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the Municipality will enforce the collection procedures contained in such rules and regulations.

#### No Free Service

The Municipality will not permit any part of the System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, charitable organization, or by any public agency (including the State of Idaho and any Municipality, county, public agency, political subdivision, public corporation or agency or any thereof), unless otherwise required by law or existing written agreements.

#### Payment of Claims

The Municipality will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the System or upon the System Net Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Repayment Installments; *provided*, that nothing in the Loan Agreement contained shall require the Municipality to make any such payments so long as the Municipality in good faith shall contest the validity of any such claims and such nonpayment will not materially adversely affect the Municipality's ability to perform its obligations under the Loan Agreement.

#### Books of Record and Accounts; Financial Statements

The Municipality will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the System and the Income Fund, and upon request will provide information concerning such books of record and accounts to the Trustee.

The Municipality will prepare annually, not later than two hundred seventy (270) days after the close of each Fiscal Year, so long as any Repayment Installments remain unpaid, an audited financial statement of the Municipality relating to the Income Fund and all other accounts or funds established pursuant to the Loan Agreement for the preceding Fiscal Year prepared by a Municipality Independent Certified Public Accountant, showing the balances in each such account or fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such account or fund during such Fiscal Year and the balances in each such account or fund as of the end of such Fiscal Year, which audited financial statement shall include a statement as to the manner and extent to which the Municipality has complied with the provisions of the Loan Agreement. The Municipality will furnish a copy of such audited financial statement to the Trustee and to the Information Services upon request, and will furnish such reasonable number of copies thereof to investment bankers, security dealers and others interested in the Bonds.

#### Payment of Taxes and Other Charges and Compliance with Governmental Regulations

The Municipality will pay and discharge all taxes, service charges, assessments and other governmental charges which may thereafter be lawfully imposed upon the System or any properties owned by the Municipality, or upon the System Revenues, when the same shall become due; *provided*, that nothing in the Loan Agreement contained shall require the Municipality to make any such payments so long as the Municipality in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges and such nonpayment will not materially adversely affect the Municipality's ability to perform its obligations under the Loan Agreement.

The Municipality will duly comply with all applicable State, federal and local statutes and all valid regulations and requirements of any governmental authority relative to the operation of the System or any part thereof, but the Municipality shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith and such noncompliance will not materially adversely affect the Municipality's ability to perform its obligations under the Loan Agreement.

Except in the case of a refinancing, on the earlier of three (3) years from the date of closing of the Loan or within 30 days of completion of construction of the Project, the Municipality shall furnish to the Trustee notice as to whether construction of the Project has been completed, together with a listing of its expenditures for the Project paid for from Loan proceeds.

#### Maintenance of Insurance

The Municipality agrees to maintain fire and extended coverage insurance on the System in such minimum amounts as are reasonable and prevalent for similar municipalities and systems in the State of Idaho and worker's compensation coverage on all full-time employees working on, in, near or about the System in accordance with applicable State laws. The Municipality may self-insure against such risks. The

Municipality shall provide evidence of such insurance to the Authority or the Trustee, respectively, upon written request of either the Authority or the Trustee.

#### Delivery of Closing Documents

The Municipality agrees to execute and deliver on the Closing Date the certificates attached to the Loan Agreement as Exhibit C.

#### **Events of Default and Remedies**

##### Events of Default

Any one of the following which occurs and continues shall constitute an Event of Default pursuant to the Loan Agreement:

(a) failure by the Municipality to pay any Repayment Installment on its respective Repayment Installment Date; or

(b) failure of the Municipality to observe and perform any covenant, condition or agreement on its part required to be observed or performed by the Loan Agreement, other than making the payments referred to in (a) above, which continues for a period of 60 days after written notice, which notice shall specify such failure and request that it be remedied, given to the Municipality by the Authority or the Trustee, unless the Authority and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Authority and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected.

The provisions of subsection (b) of this section of the Loan Agreement are subject to the limitation that the Municipality shall not be deemed in default if and so long as the Municipality is unable to carry out its agreements under the Loan Agreement by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of Idaho or any of their departments, agencies, or officials, or any civil or military authority; insurrections, riots, epidemics, landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Municipality; it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Municipality, and the Municipality shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Municipality, unfavorable to the Municipality. This limitation shall not apply to any default under subsection (a) of this section of the Loan Agreement.

##### Remedies on Default

Whenever any Event of Default shall have occurred and shall continue, the following remedies may be pursued:

(a) The Trustee shall have access to and the right to inspect, examine and make copies of the books and records and any and all accounts and data of the Municipality.

(b) The Authority or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Municipality under the Loan Agreement.

In case the Trustee or the Authority shall have proceeded to enforce its rights under the Loan Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have

been determined adversely to the Trustee or the Authority, then, and in every such case, the Municipality, the Trustee and the Authority shall be restored respectively to their several positions and rights under the Loan Agreement, and all rights, remedies and powers of the Municipality, the Trustee and the Authority shall continue as though no such action had been taken (provided, however, that any settlement of such proceedings duly entered into by the Authority, the Trustee or the Municipality shall not be disturbed by reason of this provision of the Loan Agreement).

In case the Municipality shall fail forthwith to pay amounts due by reason of the provisions of the Loan Agreement concerning Continuing Disclosure upon demand of the Trustee, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Municipality and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Municipality under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Municipality or in the case of any other similar judicial proceedings relative to the Municipality, or the creditors or property of the Municipality, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Loan Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Municipality, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Trust Agreement after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is thereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution.

#### Agreement to Pay Attorneys' Fees and Expenses

In the event the Municipality should default under any of the provisions of the Loan Agreement and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under the Loan Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Municipality therein contained, the Municipality agrees to pay to the Authority or the Trustee the reasonable fees of such attorneys and such other expenses so incurred by the Authority or the Trustee.

#### No Remedy Exclusive

No remedy in the Loan Agreement conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Loan Agreement or now or thereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in the provisions of the Loan Agreement concerning Events of Default and Remedies, it shall not be necessary to give any notice, other than such notice as may be expressly required by the Loan Agreement. Such rights and remedies as are given the Authority thereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds shall be deemed third party beneficiaries of all covenants and agreements therein contained.

#### No Additional Waiver Implied by One Waiver

In the event any agreement or covenant contained in the Loan Agreement should be breached by the Municipality and thereafter waived by the Authority or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder.

#### No Cross Default

The Municipality shall not be liable for the failure of any other municipality to make payments with respect to the Bonds. The occurrence of any Event of Default of any other municipality under such municipality's loan agreement shall not constitute an Event of Default of the Municipality under the Loan Agreement.

#### **Prepayment**

##### Redemption of Bonds with Prepayment Moneys

By virtue of the assignment of certain of the rights of the Authority under the Loan Agreement to the Trustee as is provided in provisions of the Loan Agreement concerning Assignment of Authority's Rights, the Municipality agrees to and shall pay directly to the Trustee any amount permitted or required to be paid by it under the provisions of the Loan Agreement concerning Prepayment. The Trustee shall use the moneys so paid to it by the Municipality to effect redemption of the Bonds as set forth in the provisions of the Loan Agreement concerning Prepayment on the date specified for such redemption pursuant to the provisions of the Loan Agreement concerning Notice of Prepayment. The principal component of the Repayment Installments to be prepaid shall correspond in amount and maturity date to the Bonds related to the Loan Agreement.

##### Option to Prepay Installments

The Repayment Installments specified in Schedule 1 of the Loan Agreement are subject to prepayment on the dates and in the amounts as set the amount specified in Schedule 1.

##### Amount of Prepayment

In the case of a prepayment of the entire amount due under the Loan Agreement pursuant to the provisions of the Loan Agreement concerning Options to Prepay Installments, the amount to be paid shall be a sum sufficient, together with other funds and the yield on any securities deposited with the Trustee and available for such purpose, to pay all Repayment Installments thereafter due.

##### Notice of Prepayment

The Municipality shall give sixty days' prior written notice to the Authority and the Trustee specifying the date upon which any prepayment pursuant to the provisions of the Loan Agreement concerning Prepayment will be made. The Authority and the Trustee, at the request of the Municipality, shall forthwith take all steps necessary under the applicable provisions of the Trust Agreement (except that the Authority shall not be required to make payment of any money required for such redemption) to effect redemption of the outstanding Bonds related to the Loan Agreement, on the earliest practicable date thereafter on which such redemption may be made under applicable provisions of the Trust Agreement.

Notwithstanding anything to the contrary in the Loan Agreement, each notice contemplated in the provisions of the Loan Agreement concerning Prepayment that is given with respect to an optional prepayment pursuant to the provisions of the Loan Agreement concerning Options to Prepay Installments thereof may state that it is subject to and conditional upon receipt by the Trustee on or prior to the proposed prepayment date of amounts sufficient to effect such prepayment and, if a notice so states, such notice shall be of no force and effect and the prepayment need not be made and the Repayment Installments will not become due and payable on the proposed prepayment date unless such amounts are so received on or prior to the proposed prepayment date.

## **Discharge and Defeasance of Obligations**

The Repayment Installments shall be discharged to the extent the Bonds are discharged under the Trust Agreement. The principal components of the Repayment Installments to be discharged shall correspond in amount and maturity date to the Bonds related to the Loan Agreement.

If the Municipality shall pay or cause to be paid or there shall otherwise be paid to the Trustee all of the Repayment Installments at the times and in the manner stipulated in the Loan Agreement, and the Municipality shall pay in full all other amounts due thereunder, then all agreements, covenants and other obligations of the Municipality thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Municipality all such instruments as may be necessary or desirable to evidence such discharge and satisfaction.

Any Repayment Installments shall prior to the Repayment Installment Date or prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in the second paragraph of this section of the Loan Agreement if (1) in case any of such Repayment Installments are to be prepaid, the Municipality shall have given to the Authority and Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Loan Agreement, (2) there shall have been deposited with the Trustee (A) money in an amount which shall be sufficient and/or (B) Government Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of a Municipality Independent Certified Public Accountant, to pay when due the Repayment Installments on and prior to the Repayment Installment Dates or prepayment date thereof, as the case may be, and the prepayment premiums, if any, on such Repayment Installments, and (3) an Opinion of Counsel to the effect that such treatment will not adversely affect the tax-exempt status of interest on any Bonds under the Loan Agreement, provided that the Agreement shall not be discharged and satisfied until all Repayment Installments have been paid or are deemed to have been paid as provided above.

## **Non-Liability of Authority; Expenses; Indemnification**

### Non-Liability of Authority

The Authority shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, or to discharge any other financial liability (including but not limited to financial liability under provisions of the Loan Agreement concerning Right of Access to the Project) in connection therewith, except from, and to the extent of, System Net Revenues. The Municipality thereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Municipality pursuant to the Loan Agreement (excluding payments to the Authority or the Trustee pursuant to the provisions of the Loan Agreement concerning the Tax Exempt Status of the Bonds and Indemnification) and payments from other participating Municipalities.

### Liability of Municipality Limited to System Revenues

Notwithstanding any other provision in the Loan Agreement, the Municipality shall not be required to advance any moneys derived from any source of income other than the System Revenues, the Income Fund and the other funds provided therein for the payment of the Repayment Installments or for the performance of any agreements or covenants required to be performed by it contained therein. The Municipality may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the Municipality for such purpose.

The obligation of the Municipality to make the Repayment Installments is a special obligation of the Municipality payable solely from the System Net Revenues legally available and other funds provided for in the Loan Agreement (except as provided in the provisions of the Loan Agreement concerning Timeliness of Payments, and Repayment), and does not constitute a debt of the Municipality or of the State of Idaho or of

any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

### Indemnification

The Municipality releases the Authority and the Trustee from, and covenants and agrees that neither the Authority nor the Trustee shall be liable for, and covenants and agrees, to the extent permitted by law, to indemnify, defend and hold harmless the Authority and the Trustee and their officers, elected officials, employees and agents from and against, any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from or in any way connected with the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of the Project or any part thereof. The indemnity of the Trustee required by this section of the Loan Agreement shall be only to the extent that any loss sustained by the Trustee exceeds the net proceeds the Trustee receives from any insurance carried with respect to the loss sustained.

## **Miscellaneous**

### Amendments, Changes and Modifications

Subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Trust Agreement, the Loan Agreement may be amended, changed or modified as set forth in the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreement.

## **2. Loan Agreement for Local Improvement Districts**

### Loan Agreement For Local Improvement District

#### **Loan to Municipality; Repayment Provisions**

##### Loan to Municipality

The Authority covenants and agrees, upon the terms and conditions in the Loan Agreement, to make a loan of the amount specified in the Loan Agreement attached thereto to the Municipality for the purpose of financing or refinancing the Project. Pursuant to said covenant and agreement, the Authority will issue the Bonds upon the same terms and conditions contained in the Loan Agreement and the Trust Agreement and will cause the Bond proceeds to be applied as provided in provisions of the Loan Agreement concerning the Loan to the Municipality and Repayment Provisions. The Municipality shall issue and sell its Municipal Bond to the Authority as evidence of its Loan obligation under the Loan Agreement and the payments due on the Municipal Bond shall equal the Repayment Installments under the Loan Agreement.

##### Repayment and Payment of Other Amounts Payable

The Municipality covenants and agrees to pay to the Trustee, solely from the local improvement assessments levied by the Municipality (the "Revenues"), the Repayment Installments on the loan to the Municipality pursuant to the provisions of the Loan Agreement concerning the Loan to Municipality, on the Repayment Installment Dates as set forth in an exhibit of the Loan Agreement.

Any amount held by the Trustee in the Revenue Fund on the Municipality's behalf on any Repayment Installment Date under the Loan Agreement shall be credited against the Repayment Installment due on such date to the extent available for such purpose; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Revenue Fund on the Municipality's behalf are sufficient to pay all of the Repayment Installments, the Municipality shall be relieved of any obligation to make any further payments under the provisions of this section of the Loan Agreement. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund on the Municipality's behalf is insufficient to make any required Repayment Installment on any Repayment

Installment Date, the Municipality shall forthwith pay such deficiency as a Repayment Installment under the Loan Agreement.

Upon written request of the Trustee, the Municipality shall pay any Repayment Installment directly to the Trustee.

#### Limited Obligation

The obligations of the Municipality to make the payments required by the provisions of the Loan Agreement and to perform and observe the other agreements on its part contained in the Loan Agreement shall be absolute, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority, and during the term of the Loan Agreement, the Municipality shall pay absolutely net the payments to be made on account of the loan as prescribed in provisions of the Loan Agreement and all other payments required thereunder, free of any deductions and without abatement, diminution or set-off; provided, that the Municipality's obligation to make payments under the Loan Agreement shall be limited to the Revenues and other legally available funds of the Municipality, but is not a general obligation of the Municipality as the City. Until such time as the Repayment Installments shall have been paid in full (or provision for the payment thereof shall have been made subject to the terms and conditions contained in the Trust Agreement concerning Defeasance), the Municipality (i) will not suspend or discontinue any payments provided for in provisions of the Loan Agreement; (ii) will perform and observe all of its other covenants contained in the Loan Agreement; and (iii) will not terminate the Loan Agreement for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Idaho or any political subdivision of either of these, or any failure of the Authority or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement or the Trust Agreement, except to the extent permitted by the Loan Agreement.

#### Assignment of Authority's Rights

As security for the payment of the Bonds, the Authority will assign to the Trustee the Authority's rights, but not its obligations, under the Loan Agreement, including the right to receive payments thereunder (except (i) the rights of the Authority to receive notices under the Loan Agreement, (ii) the right of the Authority to receive certain payments, if any, with respect to fees, expenses and indemnification and certain other purposes under the provisions of the Loan Agreement concerning Notice to Trustee and Authority, and Indemnification, and (iii) the right of the Authority to give approvals or consents pursuant to the Loan Agreement) and the Authority thereby directs the Municipality to make the payments required thereunder (except such payments for fees, expenses and indemnification) directly to the Trustee. The Municipality thereby assents to such assignment and agrees to pay the Repayment Installments directly to the Trustee (subject to the provisions of the Loan Agreement concerning Repayment and Payment of Other Amounts Payable) without defense or set-off by reason of any dispute between the Municipality and the Authority or the Trustee.

#### Amounts Remaining in Funds

It is agreed by the parties to the Loan Agreement that after payment in full of (i) the Repayment Installments, or after provision for such payment shall have been made as provided in the terms and conditions contained in the Trust Agreement concerning Defeasance, (ii) the fees and expenses of the Authority in accordance with the Loan Agreement, (iii) the fees, charges and expenses of the Trustee, the Registrar and Paying Agent in accordance with the Trust Agreement and the Loan Agreement and (iv) all other amounts required to be paid under the Loan Agreement and the Trust Agreement, any amounts remaining in any fund held by the Trustee under the Trust Agreement shall belong, subject to the requirements of the Trust Agreement concerning Tax Covenants and the Rebate Fund, to the Authority and be paid to the Authority by the Trustee.

#### Timeliness of Payments; Repayment

(a) The Municipality understands that the State intercept and repayment procedures contained in and required by Section 67-8727, Idaho Code, as amended, and as set forth herein operate as a matter of law with respect to the Loan covered by this Loan Agreement without the need for consent thereto by the Municipality. The Municipality also understands that said intercept procedures will provide funds to pay the Authority Bonds (not the Loan obligations).

(b) If the Municipality is unable to transfer all of its Repayment Installment to the Trustee on the Repayment Installment Date (which is fifteen (15) days before the Bond payment date), the Municipality shall immediately notify the Trustee, the Authority and the State Treasurer by: (i) telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail. If sufficient funds are not transferred to the Trustee for the Bonds of the Authority that are secured by the Loan Agreement at least ten (10) days before the scheduled debt service payment date of the Bonds, the Trustee shall transfer any available funds pledged to secure payment of the Bonds in sufficient amounts to make up any shortfall in the amount necessary to pay debt service on the Bonds on the scheduled payment date and deposit such amount in the debt service payment fund for those Bonds.

(c) If, as a result of the failure of the Municipality to make Repayment Installments in a timely manner, the Trustee shall transfer funds pursuant to paragraph (a) of this section of the Loan Agreement to pay debt service on the Bonds or if there are not sufficient funds available pursuant to paragraph (d) of this section of the Loan Agreement to make up for any shortfall in the amount necessary to pay debt service on the Bonds, at least ten (10) days before the scheduled debt service payment date of the Bonds, the Trustee shall notify the Authority and the State Treasurer by: (i) telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail.

(d) To the extent provided and required by Section 67-8727, Idaho Code, as amended, and upon the notice provided in subsection (c) of this section, the State Treasurer shall (i) immediately intercept to the extent permitted by law any payments available from: (A) the receipts of any payment of property taxes; or (B) sales tax moneys that would be distributed pursuant to section 63-3638, Idaho Code; or (C) liquor tax moneys that would be distributed pursuant to Section 23-404, Idaho Code, as amended; or (D) any other source of operating moneys provided by the state to the Municipality that would otherwise be paid to the Municipality by the State.

(e) If the State has made all or part of a Repayment Installment on behalf of the Municipality from moneys transferred from the State sales tax account pursuant to Section 67-8716, Idaho Code, the Municipality shall: (a) reimburse all moneys drawn by the State Treasurer on its behalf; (b) pay interest to the State on all moneys paid by the State from the date the moneys are drawn to the date they are repaid at a rate not less than the average prime rate for national money center banks plus five percent (5%); and (c) pay all penalties required by the Act.

(f) The State Treasurer shall establish the reimbursement interest rate after considering the circumstances of any prior draws by the Municipality on the State, market interest and penalty rates, and the cost of funds, if any, that were required to be borrowed by the State to make Repayment Installments.

(g) The State Treasurer may, after considering the circumstances giving rise to the failure of the Municipality to make its Repayment Installments in a timely manner, impose on the Municipality a penalty of not more than five percent (5%) of the amount paid by the State for each instance in which a payment by the State is made.

(h) (i) If the State Treasurer determines that amounts obtained under this section of the Loan Agreement will not reimburse the State in full within one (1) year from the State's payment of the Municipality's scheduled Repayment Installments, the State Treasurer shall, subject to clause (ii) thereof, pursue any legal action, including mandamus, against the Municipality to compel it to take any action required by the Act, including:



(1) To the extent permitted by law, provide tax or other revenues to pay Repayment Installments when due; and

(2) Meet its repayment obligations to the State.

(ii) In pursuing its rights under paragraph (i) of this subsection (h), the State shall have the same substantive and procedural rights as would a holder of the Loan Agreement.

(iii) The attorney general shall assist the State Treasurer in these duties.

(iv) The Municipality shall pay the attorney's fees, expenses and costs of the State Treasurer and the State attorney general.

## **Security**

### Pledge of Revenues

All Revenues are hereby irrevocably pledged to the payment of the Repayment Installments as provided in the Loan Agreement and the Revenues shall not be used for any other purpose while any of the Repayment Installments remain unpaid.

### Allocation of Revenues

In order to carry out and effectuate the pledge and lien contained in the Loan Agreement, the Municipality agrees and covenants that all Revenues shall be received by the Municipality in trust thereunder and shall be deposited when and as received in a special fund designated as the "Income Fund", which fund is thereby established and which fund the Municipality agrees and covenants to maintain and to hold separate and apart from other funds so long as any Repayment Installments remain unpaid. To the extent the Municipality has an existing fund which satisfies the foregoing requirements, then such shall be deemed to be the "Income Fund" and the Municipality shall not be required to create a new fund. The Municipality may maintain separate accounts within the Income Fund. The amounts in the Income Fund shall be invested in investments permitted by State law. Moneys in the Income Fund shall be used and applied by the Municipality as provided in the Loan Agreement.

### Reserve Fund

There shall be established from other Municipality funds a Reserve Fund held by the Municipality funded in an amount equal to the Reserve Requirement to be maintained as a debt service reserve fund for the Loan as evidenced by the Municipal Bond. Such Reserve Fund shall be drawn upon if needed to make the Repayment Installments hereunder. The Municipality shall notify the Trustee of any drawing on the Reserve Fund within ten (10) days of the date of such drawing. Provided further, in the event that a drawing on the said Reserve Fund in order to make the Repayment Installments by Municipality on the Loan results in a balance in such fund lower than the Reserve Requirement, the Municipality shall replenish said account to the Reserve Requirement from other Municipality funds as soon as possible but not later than one (1) year from the date of such drawing.

## **Special Covenants And Agreements**

### Punctual Payment

The Municipality will punctually pay all Repayment Installments in strict conformity with the terms of this section of the Loan Agreement to the extent of System Net Revenues and will faithfully satisfy, observe and perform all agreements, conditions, covenants and terms thereof.

### Legal Existence

The Municipality will use all means legally available to maintain its existence.

### Tax Exempt Status of Bonds

It is the intention of the parties hereto that interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes. To that end, the covenants and agreements of the Authority and the Municipality in this Section and in the Tax Certificate are for the benefit of the Trustee and each and every person who at any time will be a holder of the Bonds. Without limiting the generality of the foregoing, the Municipality and the Authority agree that there shall be paid from time to time the Municipality's Share of all amounts required to be rebated to the United States pursuant to the rebate requirement (the "Rebate Requirement") under Section 148 of the Code and the Tax Certificate. The "Municipality's Share" means the amount of the Rebate Requirement relating to the Municipal Bond, determined as specified in the Tax Certificate, including (i) treating as the yield on the Municipal Bond the yield on the Bonds allocated to the Municipality Bond and (ii) treating any amounts held by the Authority and allocable to the Municipality Bond as proceeds of the Municipality Bond. This covenant shall survive payment in full or defeasance of the Bonds. The Municipality specifically covenants to pay or cause to be paid for and on behalf of the Authority to the United States at the times and in the amounts determined under Section 7.03 of the Trust Agreement the Municipality's Share of the Rebate Requirement as described in the Tax Certificate and the Trust Agreement. The Authority shall not be liable to make any such payment except from funds provided by the Municipality for such purpose.

The Authority covenants and agrees that it has not taken and will not take any action which results in interest to be paid on the Bonds being included in gross income of the holders of the Bonds for federal income tax purposes, and the Municipality covenants and agrees that it has not taken or permitted to be taken and will not take or permit to be taken any action which will cause the interest on the Bonds to become includable in gross income for federal income tax purposes. The Municipality acknowledges having read provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund and agrees to perform all duties imposed on it by such section, by this section of the Loan Agreement and by the Tax Certificate. Insofar as this of the Trust Agreement and the Tax Certificate impose duties and responsibilities on the Authority or the Municipality, they are specifically incorporated into the Loan Agreement by reference.

Notwithstanding any provision of the Loan Agreement concerning the Tax Exempt State of Bonds or the provisions of the Trust Agreement concerning the Amount of Prepayment, if the Municipality shall provide to the Authority and the Trustee an Opinion of Bond Counsel to the effect that any specified action required under the provisions of the Loan Agreement concerning the Tax Exempt Status of Bonds and the provisions of the Trust Agreement concerning the Amount of Prepayment is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Municipality, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this section of the Loan Agreement, and the covenants set forth in the provisions of the Loan Agreement concerning the Tax Exempt Status of the Bonds shall be deemed to be modified to that extent.

### Notices to Trustee and Authority

The Municipality thereby agrees to provide the Trustee and the Authority with notice of any event of which it has knowledge which, with the passage of time or the giving of notice, would be an Event of Default, such notice to include a description of the nature of such event and what steps are being taken to remedy such Event of Default.

### Continuing Disclosure

The Municipality thereby covenants and agrees to comply with the continuing disclosure requirements for the Bonds as promulgated under Rule 15c2-12, as it may from time to time thereafter be amended or supplemented, including those requirements set forth below. Notwithstanding any other provision of the Loan Agreement, failure of the Municipality to comply with the requirements of Rule 15c2-12 applicable to the Bonds, as it may from time to time thereafter be amended or supplemented, shall not be considered an Event of Default thereunder or under the Trust Agreement; however, any Bondholder or beneficial owner of any Bonds may take such actions as may be necessary and appropriate, including seeking

mandate or specific performance by court order, to cause the Municipality to comply with its obligations pursuant to the provisions of the Loan Agreement concerning Continuing Disclosure.

(a) Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this section of the Loan Agreement unless otherwise defined in this section of the Loan Agreement, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City for the Municipality pursuant to, and as described in the provisions of the Loan Agreement concerning Continuing Disclosure.

“Beneficial Owner” shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Treasurer of the City or his or her designee, or such other officer or employee of the City for the Municipality shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent under the Loan Agreement, or any successor Dissemination Agent designated in writing by the City for the Municipality and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in provisions of the Loan Agreement concerning Continuing Disclosure.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth at <http://www.sec.gov/consumer/NRMSIR.htm>.

“Owner” means an owner of the Bonds and includes Beneficial Owners.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and the State Repository, if any.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. Currently there is no State Repository in the State of Idaho.

(b) Provision of Annual Reports.

(i) The City shall, with the assistance of the Dissemination Agent, not later than six months after the end of the City’s fiscal year (presently September 30 and which shall be deemed to also be the Municipality’s fiscal year end), commencing with the report for the 2007-2008 Fiscal Year, provide to each Repository and the Authority an Annual Report which is consistent with the requirements of the Loan Agreement concerning Continuing Disclosure. The filing shall be transmitted by Disclosure Agent and may be through the DisclosureUSA system of the Securities and Exchange Commission. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in the provisions of the Loan Agreement concerning Continuing Disclosure. If the City’s fiscal year changes, it shall give notice of such change in

the same manner as for a Listed Event under the provisions of the Loan Agreement concerning Continuing Disclosure.

(ii) Not later than fifteen (15) Business Days prior to the date specified in subsection (b)(i) for providing the Annual Report to Repositories, the City shall provide the Annual Report, to the Dissemination Agent, to the Trustee (if the trustee is not the Dissemination Agent) and to the Authority. If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City to determine if the City is unable to provide to the Repositories in compliance with the first sentence of this subsection (ii).

(iii) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (i) the Trustee shall send a notice to the Municipal Securities Rulemaking Board, the Authority and the State Repository in substantially the form as Exhibit D2 attached.

(iv) The Dissemination Agent (currently the Trustee) shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository; and

(2) file a report with the City, the Authority and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to the Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(c) Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following:

(i) The audited financial statements for the City (which are the only available audited financial statements) for the most recently ended fiscal year, currently prepared, to the extent feasible, in substantial conformance with Generally Accepted Accounting Principles applicable from time to time to governmental entities, with any permitted exception and an adopted budget for the then current fiscal year as well as all records of the Municipality of the collection of assessments for such fiscal year and balances in the applicable accounts at fiscal year end.

(ii) A statement in the form attached to the Loan Agreement as Exhibit D1 as to outstanding debt, litigation, compliance with regulatory matters and related items.

(d) Reporting of Significant Events.

(i) Pursuant to the provisions of this section of the Loan Agreement, the Municipality shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Loan Agreement and the Bonds, if material:

- (1) principal and interest payment delinquencies.
- (2) non-payment related defaults.
- (3) modifications to rights of Bond Owners.
- (4) optional, contingent or unscheduled redemptions of the Loan Agreement and any Parity Debt.
- (5) defeasances.
- (6) rating changes.
- (7) adverse tax opinions or events adversely affecting the tax-exempt status of the Loan Agreement.

- (8) unscheduled draws on debt service reserves reflecting financial difficulties.
- (9) unscheduled draws on credit enhancements reflecting financial difficulties.
- (10) substitution of credit or liquidity providers, or their failure to perform.
- (11) release, substitution, or sale of property securing repayment of the Loan Agreement.

(ii) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City on behalf of the Municipality promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (vi).

(iii) Whenever the City on behalf of the Municipality obtains knowledge of the occurrence of a Listed Event whether because of a notice from the Trustee pursuant to subsection (ii) or otherwise, the City on behalf of the Municipality shall as soon as possible determine if such event would be material under applicable federal securities laws.

(iv) If the City on behalf of the Municipality has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City on behalf of the Municipality shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (vi).

(v) If in response to a request under subsection (ii), the City on behalf of the Municipality determines that the Listed Event would not be material under applicable federal securities laws, the City on behalf of the Municipality shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (vi) of this section of the Loan Agreement.

(vi) If the Trustee has been instructed by the City on behalf of the Municipality to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (i)(4) and (5) need not be given under this subsection of the Loan Agreement any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Trust Agreement.

(e) Termination of Reporting Obligation. The City's and Municipality's obligations under the Disclosure Agreement shall terminate upon the legal defeasance or discharge of the Loan Agreement in accordance with the provisions of the Loan Agreement concerning Discharge of Obligations. If such termination occurs prior to the final maturity of the Bonds, the City on behalf of the Municipality shall give notice of such termination in the same manner as for a Listed Event under the provisions of the Loan Agreement concerning Continuing Disclosure.

(f) Dissemination Agent. The City on behalf of the Municipality may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City on behalf of the Municipality pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Trustee.

(g) Amendment; Waiver. Notwithstanding any other provision of the section of the Loan Agreement concerning Continuing Disclosure, the City and the Authority (or upon assignment of the Loan Agreement by the Authority, the Trustee) may amend this section of the Loan Agreement (and the Trustee

shall agree to any amendment so requested by the City on behalf of the Municipality), and any provision of this section may be waived, provided that the following conditions are satisfied:

(i) If the amendment or waiver relates to the provisions of the Continuing Disclosure section of the Loan Agreement concerning Annual Reports, the Content of Annual Reports or the Reporting of Significant Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(ii) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver either (1) is approved by the Owners of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (2) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Owners and Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Loan Agreement concerning Continuing Disclosure, the City on behalf of the Municipality shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City on behalf of the Municipality. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under the section of the Loan Agreement concerning Continuing Disclosure and the Reporting of Significant Events, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(h) Additional Information. Nothing in the provisions of the Loan Agreement concerning Continuing Disclosure shall be deemed to prevent the City on behalf of the Municipality from disseminating any other information, using the means of dissemination set forth in the Loan Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Loan Agreement. If the City on behalf of the Municipality chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Loan Agreement, the City on behalf of the Municipality shall have no obligation under the Loan Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

(i) Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in the provisions of the Loan Agreement concerning Continuing Disclosure, and the City on behalf of the Municipality agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Loan Agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City on behalf of the Municipality under the provisions of the Loan Agreement concerning Continuing Disclosure shall survive resignation or removal of the Dissemination Agent and payment of the Loan Agreement.

(j) Notices. Any notices or communications to or among any of the parties to the provisions of the Loan Agreement concerning Continuing Disclosure may be given at their addresses as set forth in the Trust Agreement and the Loan Agreement.

(k) Beneficiaries. This section of the Loan Agreement shall inure solely to the benefit of the City, Municipality, the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters, Beneficial Owners and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

#### Amounts of Revenues

(a) The Municipality will, to the extent permitted by law, at all times while any of the Repayment Installments remain unpaid assess and collect assessments and installment payments of assessments by property owners so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay during each Fiscal Year all Repayment Installments coming due therein and all payments required for compliance with the terms of the Loan Agreement including without limitation any trustee fees, continuing disclosure agent fees and arbitrage rebate calculation costs or amount due in connection with the Bonds.

(b) The Municipality shall not reduce or permit to be reduced the assessments comprising the Revenues below those in effect at the time of execution of this Loan Agreement.

#### Enforcement of and Performance Under Rights or Contracts

The Municipality shall enforce all material provisions of any rights or contracts it holds or to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such rights or contracts provide for material payments to be rendered to the Municipality. Further, the Municipality will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the Municipality, to the extent that the Municipality is a party thereto.

#### Collection of Assessments

The Municipality agrees to strictly enforce all of the collection and enforcement provisions of Title 50, Chapter 17, Idaho Code, as amended, including without limitation the provisions of Section 50-1715, Idaho Code, as amended, relating to the prepayment of assessments and the collection of additional interest and penalties.

The Municipality hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement. The Municipality hereby further irrevocably covenants and agrees that, as one of the conditions for the Loan, Municipality has fixed and collected, or will fix and collect, adequate assessments which, will be sufficient to satisfy the Assessment covenant to assess in Section 5.11. The Municipality shall diligently collect all assessments in accordance with Title 50, Chapter 17, Idaho Code including without limitation the protection and enforcement of the assessment lien and shall collect prepayments of assessments including all additional interest and penalties as provided in Section 50-1715, Idaho Code, as amended and shall forthwith transmit the same to the Trustee as provided in the Loan Agreement. Municipality agrees not to permit any local property owner to partially prepay its local improvement assessments. It is understood that the assessments payable by installment have been levied in the amount of the Loan.

#### Books of Record and Accounts; Financial Statements

The Municipality will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the Repayment Installments and the Income Fund, and upon request will provide information concerning such books of record and accounts to the Trustee.

The Municipality will prepare annually, not later than one hundred eighty (180) days after the close of each Fiscal Year, so long as any Repayment Installments remain unpaid, an audited financial statement of the Municipality relating to the Income Fund and Project Fund and all other accounts or funds established pursuant to the Loan Agreement for the preceding Fiscal Year, showing the collections of assessments paid and unpaid, any prepayments and the balances in each such account or fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such account or fund during such Fiscal Year and the balances in each such account or fund as of the end of such Fiscal Year, which audited financial statement shall include a statement as to the manner and extent to which the Municipality has complied with the provisions of the Loan Agreement. The Municipality will furnish a copy of such audited financial statement to the Trustee and to the rating information services upon request, and will furnish such reasonable number of copies thereof to investment bankers, security dealers and others interested in the Bonds.

#### Delivery of Closing Documents

The Municipality agrees to execute and deliver on the Closing Date the certificates attached to the Loan Agreement as Exhibit C.

#### **Events of Default and Remedies**

##### Events of Default

Any one of the following which occurs and continues shall constitute an Event of Default pursuant to the Loan Agreement:

(a) failure by the Municipality to pay any Repayment Installment on its respective Repayment Installment Date; or

(b) failure of the Municipality to observe and perform any covenant, condition or agreement on its part required to be observed or performed by the Loan Agreement, other than making the payments referred to in (a) above, which continues for a period of 60 days after written notice, which notice shall specify such failure and request that it be remedied, given to the Municipality by the Authority or the Trustee, unless the Authority and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Authority and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected.

The provisions of subsection (b) of this section of the Loan Agreement are subject to the limitation that the Municipality shall not be deemed in default if and so long as the Municipality is unable to carry out its agreements under the Loan Agreement by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of Idaho or any of their departments, agencies, or officials, or any civil or military Municipality; insurrections, riots, epidemics, landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Municipality; it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Municipality, and the Municipality shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Municipality, unfavorable to the Municipality. This limitation shall not apply to any default under subsection (a) of this section of the Loan Agreement.

##### Remedies on Default

Whenever any Event of Default shall have occurred and shall continue, the following remedies may be pursued:

(a) The Trustee shall have access to and the right to inspect, examine and make copies of the books and records and any and all accounts and data of the Municipality.

(b) The Authority or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Municipality under the Loan Agreement including without limitation all rights under Section 50-1726 Idaho Code, as amended.

In case the Trustee or the Authority shall have proceeded to enforce its rights under the Loan Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then, and in every such case, the Municipality, the Trustee and the Authority shall be restored respectively to their several positions and rights under the Loan Agreement, and all rights, remedies and powers of the Municipality, the Trustee and the Authority shall continue as though no such action had been taken (provided, however, that any settlement of such proceedings duly entered into by the Authority, the Trustee or the Municipality shall not be disturbed by reason of this provision of the Loan Agreement).

In case the Municipality shall fail forthwith to pay amounts due by reason of the provisions of the Loan Agreement concerning Continuing Disclosure upon demand of the Trustee, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Municipality and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Municipality under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Municipality or in the case of any other similar judicial proceedings relative to the Municipality, or the creditors or property of the Municipality, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Loan Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Municipality, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Trust Agreement after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is thereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution.

#### Agreement to Pay Attorneys' Fees and Expenses

In the event the Municipality should default under any of the provisions of the Loan Agreement and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under the Loan Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Municipality therein contained, the Municipality agrees to pay to the Authority or the Trustee the reasonable fees of such attorneys and such other expenses so incurred by the Authority or the Trustee.

#### No Remedy Exclusive

No remedy in the Loan Agreement conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Loan Agreement or now or thereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in the provisions of the Loan Agreement concerning Events of Default and Remedies, it shall not be necessary to give any notice, other than such notice as may be expressly required by the Loan Agreement. Such rights and remedies as are given the Authority thereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds shall be deemed third party beneficiaries of all covenants and agreements therein contained.

#### No Additional Waiver Implied by One Waiver

In the event any agreement or covenant contained in the Loan Agreement should be breached by the Municipality and thereafter waived by the Authority or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder.

#### No Cross Default

The Municipality shall not be liable for the failure of any other municipality to make payments with respect to the Bonds. The occurrence of any Event of Default of any other municipality under such municipality's loan agreement shall not constitute an Event of Default of the Municipality under the Loan Agreement.

#### **Prepayment**

##### Redemption of Bonds with Prepayment Moneys

By virtue of the assignment of certain of the rights of the Authority under the Loan Agreement to the Trustee as is provided in provisions of the Loan Agreement concerning Assignment of Authority's Rights, the Municipality agrees to and shall pay directly to the Trustee any amount permitted or required to be paid by it under the provisions of the Loan Agreement concerning Prepayment. The Trustee shall use the moneys so paid to it by the Municipality to effect redemption of the Bonds as set forth in the provisions of the Loan Agreement concerning Prepayment on the date specified for such redemption pursuant to the provisions of the Loan Agreement concerning Notice of Prepayment. The principal component of the Repayment Installments to be prepaid shall correspond in amount and maturity date to the Bonds related to the Loan Agreement.

##### Option to Prepay Installments

The Repayment Installments specified in Schedule 1 of the Loan Agreement are subject to prepayment on the dates and in the amounts as set forth in Schedule 1.

##### Amount of Prepayment

In the case of a prepayment of the entire amount due under the Loan Agreement pursuant to the provisions of the Loan Agreement concerning Options to Prepay Installments, the amount to be paid shall be a sum sufficient, together with other funds and the yield on any securities deposited with the Trustee and available for such purpose, to pay all Repayment Installments thereafter due.

##### Notice of Prepayment

The Municipality shall give sixty days' prior written notice to the Authority and the Trustee specifying the date upon which any prepayment pursuant to the provisions of the Loan Agreement concerning Prepayment will be made. The Authority and the Trustee, at the request of the Municipality, shall forthwith take all steps necessary under the applicable provisions of the Trust Agreement (except that the Authority shall not be required to make payment of any money required for such redemption) to effect redemption of the part of the then outstanding Bonds related to the Loan Agreement, as the case may be, on the earliest practicable date thereafter on which such redemption may be made under applicable provisions of the Trust Agreement.

Notwithstanding anything to the contrary in the Loan Agreement, each notice contemplated in the provisions of the Loan Agreement concerning Prepayment that is given with respect to an optional prepayment pursuant to the provisions of the Loan Agreement concerning Options to Prepay Installments

thereof may state that it is subject to and conditional upon receipt by the Trustee on or prior to the proposed prepayment date of amounts sufficient to effect such prepayment and, if a notice so states, such notice shall be of no force and effect and the prepayment need not be made and the Repayment Installments will not become due and payable on the proposed prepayment date unless such amounts are so received on or prior to the proposed prepayment date.

#### **Discharge and Defeasance of Obligations**

The Repayment Installments shall be discharged to the extent the Bonds are discharged under the Trust Agreement. The principal components of the Repayment Installments to be discharged shall correspond in amount and maturity date to the Bonds related to the Loan Agreement.

If the Municipality shall pay or cause to be paid or there shall otherwise be paid to the Trustee all of the Repayment Installments at the times and in the manner stipulated in the Loan Agreement, and the Municipality shall pay in full all other amounts due thereunder, then all agreements, covenants and other obligations of the Municipality thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Municipality all such instruments as may be necessary or desirable to evidence such discharge and satisfaction.

Any Repayment Installments shall prior to the Repayment Installment Date or prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in the second paragraph of this section of the Loan Agreement if (1) in case any of such Repayment Installments are to be prepaid, the Municipality shall have given to the Authority and Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Loan Agreement, (2) there shall have been deposited with the Trustee (A) money in an amount which shall be sufficient and/or (B) Government Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of a Municipality Independent Certified Public Accountant, to pay when due the Repayment Installments on and prior to the Repayment Installment Dates or prepayment date thereof, as the case may be, and the prepayment premiums, if any, on such Repayment Installments, and (3) an Opinion of Counsel to the effect that such treatment will not adversely affect the tax-exempt status of interest on any Bonds under the Loan Agreement, provided that the Loan Agreement shall not be discharged and satisfied until all Repayment Installments have been paid or are deemed to have been paid as provided above.

#### **Non-Liability of Authority; Expenses; Indemnification**

##### Non-Liability of Authority

The Authority shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, or to discharge any other financial liability (including but not limited to financial liability under provisions of the Loan Agreement concerning Right of Access to the Project) in connection therewith, except from, and to the extent of payments made by the Municipality under the Loan Agreement or through the State Intercept provided in Section 67-8727, Idaho Code, as amended. The Municipality thereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Municipality pursuant to the Loan Agreement (excluding payments to the Authority or the Trustee pursuant to the provisions of the Loan Agreement concerning the Tax Exempt Status of the Bonds and Indemnification), the State Intercept provided under Section 67-8727, Idaho Code, as amended, and payments from other participating Municipalities.

##### Indemnification

The Municipality releases the Authority and the Trustee from, and covenants and agrees that neither the Authority nor the Trustee shall be liable for, and covenants and agrees, to the extent permitted by law, to indemnify, defend and hold harmless the Authority and the Trustee and their officers, elected officials, employees and agents from and against, any and all losses, claims, damages, liabilities or expenses, of every

conceivable kind, character and nature whatsoever arising out of, resulting from or in any way connected with the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of the Project or any part thereof. The indemnity of the Trustee required by this section of the Loan Agreement shall be only to the extent that any loss sustained by the Trustee exceeds the Net Proceeds the Trustee receives from any insurance carried with respect to the loss sustained.

#### **Miscellaneous**

##### Amendments, Changes and Modifications

Subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Trust Agreement, the Loan Agreement may be amended, changed or modified as set forth in the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreement.

## **Appendix F**

### **Summary of Participant Loan and Select Information**

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## Summary of Participant Loans with the Idaho Bond Bank Authority

(As of October 27, 2008; includes the Series 2008 Bonds)

		Bond Bank Series	Original Loan Amounts	Outstanding Loan Amounts	% of Total Outstanding	Final Maturity (Fiscal Year)	Calendar Year 2009 Payments	% of Total Calendar 2009 Loan Payments	Security Pledge
Blackfoot		2004	\$ 345,000	\$ 205,000	0.23%	2014	\$ 45,250	0.63%	Sewer System Revenue, Sales Tax Intercept
Buhl	(1)	2008C	14,990,000	14,990,000	16.69%	2038	866,479	11.99%	Sewer System Revenues, Reserve Fund, Sales Tax Intercept
Buhl	(1)	2008C	8,000,000	8,000,000	8.91%	2038	460,673	6.38%	Water System Revenues, Reserve Fund, Sales Tax Intercept
Caldwell		2006B	3,605,000	3,280,000	3.65%	2019	449,888	6.23%	<i>Ad Valorem</i> Property Taxes, Sales Tax Intercept
Caldwell		2007B	145,000	135,000	0.15%	2018	20,224	0.28%	LID Assessments, LID Guarantee Fund
Cascade		2006B	4,240,000	4,065,000	4.53%	2037	261,175	3.62%	Water & Sewer Revenues, Reserve Fund
Coeur d'Alene		2004	3,560,000	2,415,000	2.69%	2016	415,750	5.76%	Sewer System Revenue, Sales Tax Intercept
Driggs		2004	1,005,000	810,000	0.90%	2022	87,110	1.21%	Sewer System Revenue, Sales Tax Intercept
Driggs	(1)	2008D	365,000	365,000	0.41%	2023	28,627	0.40%	Assessment Payments, Guarantee Fund
Eagle		2006B	1,935,000	1,635,000	1.82%	2018	225,919	3.13%	<i>Ad Valorem</i> Property Taxes, Sales Tax Intercept
Eagle Sewer District		2008A	6,500,000	6,405,000	7.13%	2028	501,856	6.95%	Sewer System Revenue, Reserve Fund, Sales Tax Intercept
Gooding		2004	475,000	310,000	0.35%	2016	55,500	0.77%	Sewer System Revenue, Sales Tax Intercept
Gooding		2004	380,000	290,000	0.32%	2019	38,730	0.54%	Sewer System Revenue, Sales Tax Intercept
Heyburn		2008A	3,000,000	2,915,000	3.25%	2037	159,613	2.21%	Water System Revenue, Reserve Fund
Jerome		2006A	9,000,000	8,310,000	9.25%	2027	685,200	9.49%	Sewer System Revenue, Reserve Fund
Jerome	(2)	2008A	4,325,000	4,260,000	4.74%	2028	342,350	4.74%	Water System Revenue, Reserve Fund, Sales Tax Intercept
Jerome		2008A	800,000	790,000	0.88%	2028	60,975	0.84%	<i>Ad Valorem</i> Property Taxes, Sales Tax Intercept
Kendrick	(1)	2008C	370,000	370,000	0.41%	2019	39,414	0.55%	Water & Sewer System Revenues, Reserve Fund, Sales Tax Intercept
Ketchum	(3)	2006A	5,810,000	5,530,000	6.16%	2036	357,543	4.95%	Water System Revenue, Reserve Fund
Ketchum		2006A	1,730,000	1,590,000	1.77%	2026	135,095	1.87%	Sewer System Revenue, Reserve Fund
McCall		2004	2,780,000	2,385,000	2.66%	2023	238,380	3.30%	Sewer System Revenue, Sales Tax Intercept
McCall		2008B	7,095,000	7,095,000	7.90%	2029	418,483	5.79%	Sewer System Revenue, Sales Tax Intercept
Orofino		2006A	875,000	650,000	0.72%	2014	147,400	2.04%	Water & Sewer Revenues, Reserve Fund, Sales Tax Intercept
Parma		2004	510,000	430,000	0.48%	2023	44,560	0.62%	Sewer System Revenue, Sales Tax Intercept
Pocatello		2004	2,015,000	1,245,000	1.39%	2015	262,250	3.63%	Sewer System Revenue, Sales Tax Intercept
Sandpoint		2007A	8,700,000	8,445,000	9.40%	2028	651,244	9.02%	Sewer System Revenue, Sales Tax Intercept
Teton County		2007A	3,000,000	2,910,000	3.24%	2028	224,306	3.11%	Solid Waste System Revenue, Sales Tax Intercept
Totals			<u>\$95,555,000</u>	<u>\$ 89,830,000</u>	100.00%		<u>\$7,223,991</u>	100.00%	

(1) This issue. No payments are due in Fiscal Year 2008.

(2) Jerome has two Water System Loans funded from Series 2008A (New money Loan - subject to State Intercept, and Refinancing Loan - not subject to State Intercept.

(3) Ketchum has two Water System Loans funded from the Series 2006A (New money Loan and Refunding Loan).

### Select Information

2008 Participant	Buhl		Kendrick	Driggs
Loan	\$14,990,000	\$8,000,000	\$370,000	\$365,000
Purpose	Finance Sewer System improvements and a Reserve Fund in the amount of the Reserve Requirement	Finance Water System improvements and a Reserve Fund in the amount of the Reserve Requirement	Currently refund the outstanding Water and Sewer Revenue Bonds, Series 1996 and fund a Reserve Fund in the amount of the Reserve Requirement	Finance street, curb, gutter, sewer and other public improvements that were completed within Local Improvement District No. 2006-01 created in the City of Driggs
2000 Census Population	3,985		369	1,100
2007 Population Estimate	4,037		348	1,291
1999 Per Capita Income	\$13,539		\$14,706	\$14,710
% of State level	75.9%		82.4%	82.5%
Key Covenants:	Net Revenues $\geq$ 125% of Maximum Annual Debt Service			
Rate Covenant				
2009 Projected Coverage	126.0%	125.0%	190.0%	
Reserve Fund	Lesser of 10% of the proceeds of the Loan, maximum annual principal and interest on the Loan or 125% of the average annual principal and interest on the Loan Obligation.			Amount $\geq$ 5% of local improvement bonds of the City at any time outstanding.
Reserve Fund Replenishment	Draws must be replenished as soon as possible, but not later than 1 year from the date of such draw.			
State-Collected Taxes Subject to Intercept:				
2008 Total State Shared Sales Tax	\$152,578,192			
2008 Liquor Tax	\$24,396,000			
Allocation to 2008 Participant:				
2008 State Shared Sales Tax	\$308,858		\$22,207	\$90,549
2008 Liquor Tax	\$45,976		\$11,623	\$67,687
% of 2008 State Shared Sales Tax	0.20%		0.01%	0.06%
% of 2008 Total Liquor Tax	0.19%		0.05%	0.28%

# **Appendix G**

## **Audited Financial Statement of the Authority**

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State of Idaho  
Legislative Services Office  
Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

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## IDAHO BOND BANK AUTHORITY

**FY 2007**

**Report OP15507  
Date Issued: May 1, 2008**

*Serving Idaho's Citizen Legislature*



Don H. Berg, Manager

Idaho Legislative Services Office  
Legislative Audits Division

## IDAHO BOND BANK AUTHORITY

### SUMMARY

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#### PURPOSE OF AUDIT REPORT

We have audited the financial statements of the Idaho Bond Bank Authority for the fiscal year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the Authority's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

#### CONCLUSION

We conclude that the Authority's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Authority's financial statements.

#### FINDINGS AND RECOMMENDATIONS

There are two findings and recommendations in this report.

- 1) Material errors existed in the financial statements due to the lack of an accounting system and accounting expertise within the Authority.
- 2) Costs of salaries and fringe benefits provided by the State Treasurer's Office are not disclosed in the Authority's financial statements as required.

The complete findings are detailed on pages 7 and 8. A copy of the entire report is available at <http://www.legislature.idaho.gov/audit/index.htm>, or by calling 208-334-4832.

#### AGENCY RESPONSE

The State Treasurer's Office has reviewed the report and is in general agreement with its contents.

#### OTHER INFORMATION

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and the Idaho Bond Bank Authority and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the executive director, Liza Carberry, and her staff.

**ASSIGNED STAFF**  
Patrick Aggers, CPA, Staff Auditor  
April Renfro, CPA, Managing Auditor

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## Legislative Services Office Idaho State Legislature

*Serving Idaho's Citizen Legislature*

Jeff Youtz  
Director

April 3, 2008

Unqualified Opinion on  
Basic Financial Statements

### Independent Auditor's Report

Honorable Ron Crane, Idaho State Treasurer, Chair  
John Sandy, Past Chair  
Liza Carberry, Executive Director  
Idaho Bond Bank Authority  
304 North 8<sup>th</sup> Street, Room 208  
Boise, ID 83702

#### Authority Members and Executive Director:

We have audited the accompanying basic financial statements of the Idaho Bond Bank Authority, a component unit of the State of Idaho, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Authority as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2008, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

The Authority has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Sincerely,

Don H. Berg, CGFM, Manager  
Legislative Audits Division

Mike Nugent, Manager  
Research & Legislation

Cathy Holland-Smith, Manager  
Budget & Policy Analysis

01 Don H. Berg, Manager  
Legislative Audits

Glenn Harris, Manager  
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02

STATE OF IDAHO  
IDAHO BOND BANK AUTHORITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

ASSETS

Current Assets	
Cash and Cash Equivalents	\$0
Investments	1,323
Loans and Notes Receivable	1,614,288
Deferred Costs	784,094
Interest Receivable	344,782
Total Current Assets	<u>\$2,744,487</u>

Noncurrent Assets	
Loans and Notes Receivable	<u>\$35,415,775</u>
Total Noncurrent Assets	<u>\$35,415,775</u>

Total Assets	<u>\$38,160,262</u>
--------------	---------------------

LIABILITIES

Current Liabilities	
Bonds and Notes Payable	\$1,608,472
Interest Payable	344,782
Total Current Liabilities	<u>\$1,953,254</u>

Noncurrent Liabilities	
Bonds and Notes Payable	<u>\$36,205,685</u>
Total Noncurrent Liabilities	<u>\$36,205,685</u>

Total Liabilities	<u>\$38,158,939</u>
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NET ASSETS

Unrestricted	<u>\$1,323</u>
Total Net Assets	<u>\$1,323</u>
Total Liabilities and Net Assets	<u>\$38,160,262</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO  
IDAHO BOND BANK AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

OPERATING REVENUES

Interest on Loans Receivable	\$1,341,421
Investment Income	4,509
Grants and Contributions	20,000
Total Operating Revenues	<u>\$1,365,930</u>

OPERATING EXPENSES

Interest Expense	\$1,346,841
Other Expense	23,527
Total Operating Expenses	<u>\$1,370,368</u>
Operating Income (Loss)	<u>(\$4,438)</u>

Change in Net Assets	<u>(\$4,438)</u>
----------------------	------------------

Total Net Assets - Beginning of Year, as Restated	<u>5,761</u>
Total Net Assets - End of Year	<u>\$1,323</u>

The accompanying notes are an integral part of these financial statements.



STATE OF IDAHO  
IDAHO BOND BANK AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Bonds Issued	\$10,188,310
Receipts of Loan Principal	960,000
Receipts of Loan Interest	1,215,296
Receipts from Grants and Contributions	20,000
Receipts of Investment Interest	4,509
Receipts from Investments	4,438
Disbursements of Loans Receivable	(10,076,145)
Payments of Bond Principal	(960,000)
Payments of Bond Interest	(1,220,716)
Payments of Issue Costs	(112,165)
Other Payments	(23,527)
Net Cash Provided (Used) by Operating Activities	<u>\$0</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Net Cash Provided (Used) by Non-Capital Financing Activities	<u>\$0</u>
--	------------

CASH FLOWS FROM INVESTING ACTIVITIES

Net Cash Provided (Used) by Investing Activities	<u>\$0</u>
--	------------

Net Increase (Decrease) in Cash and Cash Equivalents	\$0
--	-----

Beginning Cash, Cash Equivalents, and Cash with Treasurer	0
---	---

Ending Cash, Cash Equivalents, and Cash with Treasurer	<u><u>\$0</u></u>
--	-------------------

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)

by Operating Activities:	
Operating Income (Loss)	(\$4,438)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)	
by Operating Activities:	
Amortization	(5,467)
Net Changes in Assets and Liabilities:	
Investments	4,438
Interest Receivable	(131,592)
Deferred Costs	(195,242)
Notes Receivable - deferred costs and premiums	200,709
Interest Payable	131,592
Net Cash Provided (Used) by Operating Activities	<u><u>\$0</u></u>

The accompanying notes are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR 2007

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Idaho Bond Bank Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting principles. The financial statements are presented as of and for the year ended June 30, 2007.

#### A. Reporting Entity

The Idaho Bond Bank Authority was created by Idaho Code, Section 67-8703, authorizing the Authority to issue bonds to make loans to local governments for infrastructure. The objective of the Authority is to obtain lower interest rate and underwriting costs than local governments can achieve individually. The Authority is administered by a five member board, of which two members are appointed by the governor and three are elected officials.

The Authority is included as a component unit in the State of Idaho financial statements. The Authority can obligate state sales tax revenue as a source of payment or security for bonds issued, which imposes a potential direct financial burden on the State.

#### B. Basis of Accounting and Financial Statement Presentation

The Authority is accounted for and reported as a proprietary-type enterprise fund. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

The Authority has chosen not to apply all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued after November 30, 1989.

The Statement of Net Assets presents the Authority's assets and liabilities, with the difference reported as net assets. Net assets are displayed as unrestricted net assets; however, unrestricted net assets may have constraints or designations placed upon them by management, which can be unilaterally removed.

#### C. Assets and Liabilities

##### *Cash and Cash Equivalents*

Cash and cash equivalents consist of bank accounts.

##### *Loans and Notes Receivable*

Loans and Notes Receivable consist of loans to local governments in order to finance infrastructure needs.

### ***Bonds and Notes Payable***

Bonds and Notes payable include bonds issued to make loans to local governments in order to finance infrastructure needs. Bond premiums, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 2 for further explanation. The Authority's financial statements report long-term obligations, such as bonds and notes payable, as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve months.

### **NOTE 2. LONG-TERM LIABILITIES**

The Authority is authorized to issue and sell revenue bonds under provisions of the Idaho Constitution, Article VIII, Section 2A, and Idaho Code, Sections 67-8701 through 67-8728. The bonds are used by the Authority to make loans to local governments in order to finance infrastructure needs. The bonds are limited obligations of the Authority and do not constitute a debt of the State of Idaho or any of its political subdivisions. Revenue Bonds Series 2004A were originally issued in the amount of \$11,070,000, Series 2006A bonds had an original issue amount of \$17,415,000, and the 2006B issue, consisting of series and term bonds, had an original issue amount of \$9,780,000.

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Series 2004A		Series 2006A		Series 2006B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	750,000	422,330	535,000	748,938	305,000	444,500	1,590,000	1,615,768
2009	785,000	399,305	575,000	726,737	495,000	427,500	1,855,000	1,553,542
2010	800,000	367,530	610,000	703,038	520,000	405,931	1,930,000	1,476,499
2011	845,000	326,405	630,000	678,238	270,000	389,313	1,745,000	1,393,956
2012	885,000	283,155	660,000	652,438	565,000	372,444	2,110,000	1,308,037
2013-2017	3,795,000	756,775	3,285,000	2,809,888	3,230,000	1,444,269	10,310,000	5,010,932
2018-2022	1,630,000	192,768	3,770,000	2,031,461	1,590,000	753,394	6,990,000	2,977,623
2023-2027	135,000	2,902	4,520,000	1,129,318	725,000	554,844	5,380,000	1,687,064
2028-2032			1,315,000	443,363	930,000	349,865	2,245,000	793,228
2033-2037			1,290,000	119,475	1,150,000	122,719	2,440,000	242,194
<b>Total</b>	<b>\$9,625,000</b>	<b>\$2,751,170</b>	<b>\$17,190,000</b>	<b>\$10,042,894</b>	<b>\$9,780,000</b>	<b>\$5,264,779</b>	<b>\$36,595,000</b>	<b>\$18,058,843</b>
Interest Rate	2.50% to 5.00%		4.00% to 5.00%		4.00% to 5.00%		2.50% to 5.00%	

The revenue bonds are secured by loan payments from local governments, investment earnings on amounts held by the trustee, and any other moneys received by the Authority designated as revenues. The Series 2006A bonds are further secured by moneys in the debt service reserve funds held by each participant. The reserve requirement is equal to the lesser of 125 percent of the annual debt service, the maximum annual debt service, or 10 percent of the original issue amount.

The changes in long-term liabilities for the fiscal year ended June 30, 2007, are as follows:

Long-Term Liabilities	Balances at July 1, 2006	Increases	Reductions	Balances at June 30, 2007	Amounts Due Within One Year
Revenue Bonds - 2004A	\$10,360,000		(\$735,000)	\$9,625,000	\$750,000
Revenue Bonds - 2006A	17,415,000		(225,000)	17,190,000	535,000
Revenue Bonds - 2006B		\$9,780,000		9,780,000	305,000
Total Revenue Bonds	27,775,000	\$9,780,000	(\$960,000)	36,595,000	1,590,000
Premiums/Discounts	733,238	496,989	(11,070)	1,219,157	18,472
<b>Total Bonds Payable</b>	<b>\$28,508,238</b>	<b>\$10,276,989</b>	<b>(\$971,070)</b>	<b>\$37,814,157</b>	<b>\$1,608,472</b>

### **NOTE 3. SUBSEQUENT EVENTS**

On November 1, 2007, the Authority issued revenue bonds in the amount of \$11,140,000. Proceeds of the bonds will be used to make loans to local governments to finance public capital improvements.

### **NOTE 4. FUND EQUITY**

During fiscal year 2007, additional information became available that required the restatement of the beginning net assets.

The beginning net assets decreased by \$37,499 due to an overstatement of notes receivable in prior reports.



## Legislative Services Office Idaho State Legislature

*Serving Idaho's Citizen Legislature*

Jeff Youtz  
Director

April 3, 2008

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance  
With Government Auditing Standards

Honorable Ron Crane, Idaho State Treasurer, Chair  
John Sandy, Past Chair  
Liza Carberry, Executive Director  
Idaho Bond Bank Authority  
304 North 8<sup>th</sup> Street, Room 208  
Boise, ID 83702

Authority Members and Executive Director:

We have audited the financial statements of the Idaho Bond Bank Authority as of and for the year ended June 30, 2007, and have issued our report thereon dated April 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in

accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We have included two findings and recommendations in this report, and we consider Finding #1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the significant deficiency described in Finding #1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of the Authority in a separate letter.

This report is intended solely for the information and use of the State of Idaho and the Idaho Bond Bank Authority and is not intended to be used by anyone other than these specified parties.

Sincerely,

Don H. Berg, CGFM, Manager  
Legislative Audits Division

Mike Nugent, Manager  
Research & Legislation

Cathy Holland-Smith, Manager  
Budget & Policy Analysis

09

Don H. Berg, Manager  
Legislative Audits

Glenn Harris, Manager  
Information Technology

Statehouse, P.O. Box 83720  
Boise, Idaho 83720-0054

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## FINDINGS AND RECOMMENDATIONS

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### FINDING #1

Material errors existed in the financial statements due to the lack of an accounting system and accounting expertise within the Authority.

The accounting system used by the Authority consists of spreadsheets compiled at the end of the fiscal year using data from bank statements, bond documents, and loan agreements. This once-a-year compilation raises the potential for errors and omissions and does not meet the intent of the Master Trust Agreement, which is the legal agreement between the Authority and U.S. Bank as Trustee to provide "proper books of record" upon request. In addition, the Authority's procedures for preparing and reviewing financial statements have inherent internal control weaknesses due to the limited experience and expertise of staff involved.

We determined that revenues and expenditures were both overstated by \$402,840 on the *Statement of Revenues, Expenses, and, Changes in Fund Net Assets*, which was not detected by the Authority. Other misstatements of lesser amounts were also noted, along with prior period adjustments, which further indicate that internal control weaknesses exist in the procedures for preparing financial statements.

Although the financial statements were corrected as a result of the audit, this condition indicates a material weakness in controls that we are required to disclose in the report. As the activities and complexity of the Authority's accounting grows, additional expertise and a formal accounting system are needed to provide accurate financial information and comply with the Master Trust Agreement.

### RECOMMENDATION #1

We recommend that the Authority implement an accounting system, in accordance with generally accepted accounting principles, that meets the requirements of the Master Trust Agreement. We also recommend that the Authority seek additional accounting expertise to develop appropriate internal controls and to ensure that financial statements are properly prepared.

### AGENCY'S CORRECTIVE ACTION PLAN

The Bond Bank Authority does not have appropriations or staff to maintain an accounting system and relies upon the Trustee, US Bank, to prepare and submit the financial accounting, and the State Controller's Office to prepare and submit the financial statements. Until such time that the State Treasurer is able to hire accounting expertise, the Bond Bank will have to continue to rely on the Trustee and the State Controller's Office for its accounting services.

### FINDING #2

Cost of salaries and fringe benefits provided by the State Treasurer's Office are not disclosed in the Authority's financial statements as required.

Generally accepted accounting principles require that entities disclose "on-behalf payments" in their financial statements, which are identified as the value of salaries and fringe benefits paid for by a third party.

In the case of the Bond Bank Authority, the State Treasurer's Office pays all of the salaries and benefits for various staff members to provide services to the Authority at no cost, including the salary and benefit costs of the executive director. However, these costs are not disclosed in the financial statements as required.

Although the amount is immaterial to the financial statements, a full disclosure is required to prevent potential misstatements and to comply with generally accepted accounting principles.

**RECOMMENDATION #2**– We recommend that the Authority comply with generally accepted accounting principles by disclosing in its financial statements the value of on-behalf payments made by the State Treasurer's Office.

### AGENCY'S CORRECTIVE ACTION PLAN

The State Treasurer's Office is now tracking all personnel hours worked on behalf of the Idaho Bond Bank Authority and will be able to provide this information for the next financial statement.

## AGENCY RESPONSE

---

RON G. CRANE  
STATE TREASURER



(208) 334-3200  
(208) 332-2960 FAX

STATE OF IDAHO  
OFFICE OF THE STATE TREASURER  
ROOM 102 STATEHOUSE  
P.O. BOX 83720  
BOISE, IDAHO 83720-0091

March 27, 2008

April Renfro  
Legislative Audits  
PO Box 83720  
Boise, ID 83720-0054

Dear Ms. Renfro,

In reply to the FY 2007 Idaho Bond Bank Authority Audit Report, the Treasurer's Office is in general agreement with the findings included in the report. Below are our responses to the individual items addressed in the audit.

- Finding #1: Material errors existed in the financial statements due to the lack of an accounting system and accounting expertise within the authority.
- Response: The Bond Bank Authority does not have appropriations or staff to maintain an accounting system and relies upon the Trustee, US Bank, to prepare and submit the financial accounting, and the State Controller's Office to prepare and submit the financial statements. Until such time that the State Treasurer is able to hire accounting expertise, the Bond bank will have to continue to rely on the Trustee and The State Controller's Office for its accounting services.
- Finding #2: Costs of salaries and fringe benefits provided by the State Treasurer's Office are not disclosed in the Authority's financial statements as required.
- Response: The State Treasurer's Office is now tracking all personnel hours worked on behalf of the Idaho Bond Bank Authority and will be able to provide this information for the next financial statement.

I thank you for the opportunity to respond to the findings in the audit, and appreciate the efforts of you and your staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron G. Crane".

Ron G. Crane  
State Treasurer

## APPENDIX

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### **HISTORY**

The Idaho Bond Bank Authority was established in 2001 by Idaho Code, Title 67, Chapter 87. Organizationally, the Authority is an independent entity that operates within the Office of the State Treasurer. The Authority, by constitutional amendment, is relieved from certain State constitutional debt limitations and voter approval requirements.

### **PURPOSE**

The purpose of the Authority is to lend money to local governments within the State, with the goal of providing funds for their infrastructure needs and access to capital markets at competitive interest rates.

### **ORGANIZATION**

The Authority consists of five members including the State Treasurer, or his designee, serving as ex officio chairman, one member of the Senate serving at the pleasure of the President Pro Tempore for a term of two years, one member of the House of Representatives serving at the pleasure of the Speaker of the House of Representatives, and two members appointed by the Governor serving four year terms.

### **FUNDING**

In the first session of 2001, the Legislature passed Senate Bill 1174 creating the Authority.

Using the Authority's program, a municipality obtains a loan from the Authority secured by either the municipality's bond or a loan agreement with the Authority. The Authority pools several loans to municipalities into one bond issue. The municipalities then repay the loan, and those repayments are used to repay the revenue bonds. The Authority can obtain better credit ratings, more attractive interest rates, and lower underwriting costs than municipalities could achieve individually. The Authority is able to pledge certain State funds as additional security for its bonds, further reducing interest costs.

Since 2001, the Authority has issued \$38,265,000 in revenue bonds. The Authority has received \$80,000 in contributions from the Office of the State Treasurer to pay for some of the Authority's administrative expenses. In the first session of 2007, the Legislature amended Idaho Code, Title 67, Chapter 87, to allow for the Office of the State Treasurer to pay for the expenses beginning in fiscal year 2008.

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